

EMERGING CHALLENGES OF HR IN RETAIL SECTOR

Dr.K. Sivaji

Assistant Professor, Department of Commerce and Business Administration

Acharya Nagarjuna University Ongole Campus, Ongole

Mail Id: sivaji.kalva@gmail.com

Introduction

The word retail is derived from the French word retailer, meaning to cut a piece off or to break bulk. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Objectives

- ✓ To study the current status of Indian retail industry
- ✓ To study problems in the organized retailing.
- ✓ To study the challenges of HR in retail sector.
- ✓ To study the various problems ahead for HR managers in the implementation of HRM practices in organized retail outlets.

Indian Retail Sector: an overview

India represents an economic opportunity both as a global base and as a domestic market. The real GDP is expected to grow at 8-10 percent per annum in the next five years and consuming class with annual Household incomes above Rs. 90,000 is expected to rise from about 370 million in 2006-07 to 620 million in 2011-12. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets.



Current scenario of Indian retail market The size of Indian retail industry is more than US \$350 billion but it is highly unorganized. The organized sector has started developing in the past few years. Many International brands have entered the market. With the growth in organized retailing, unorganized retailers

are fast changing their business models. According to study conducted by ICRIER, total retail business in India will grow at 13% annually, from US \$322 billion in 2006-07 to US \$590 billion in 2011-12 and further US \$1 trillion by 2016-17.

Investment options in organized retail India& Mall space breakup in India

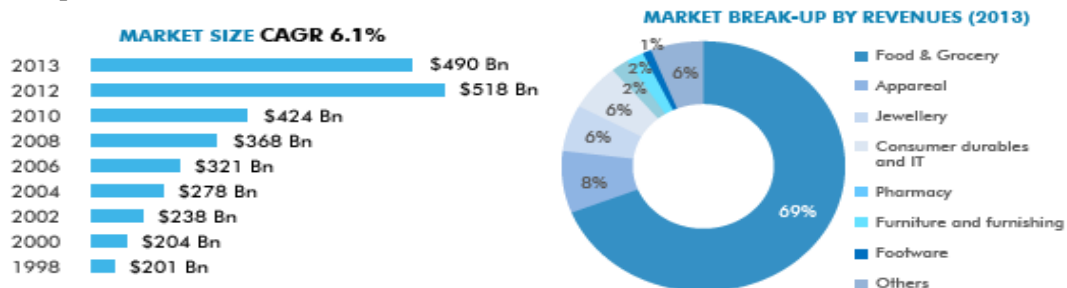
Hypermarkets would be the largest retail segment, accounting for 21 per cent of total retail space by 2014-2015.



The growth factors of the retail sector of Indian economy:

- Increase in per capita income which in turn increases the household consumption
- Demographical changes and improvements in the standard of living
- Change in patterns of consumption and availability of low-cost consumer credit
- Improvements in infrastructure and enhanced availability of retail space
- Entry to various sources of financing

Market size of Indian retail industry the total market size was US\$ 490 billion in 2013, registering a CAGR of 6.1 per cent since 1998.



Major problems of the retail industry

- **Employee Turnover:** Lack of worker continuity, or employee turnover, is one of the major problems faced by the retail industry. Columbus IT notes that the typical turnover rate in North American retail is much higher than in European countries and often ranges between 200 and 300 percent. **Auditing:** Auditing is another problem that the retail industry faces on a regular basis. Retail businesses are regularly engaged in competition with one another, and this competition can create price wars, forcing a need to keep tight control over inventory and other important data.
- **Economic Challenges:** Another area of challenge for the retail industry is the economic uncertainty it faces moving forward. The retail industry as a whole is largely dependent upon the economic well being of the nation.
- **Technology:** Keeping up with the pace of modern technology is another problem the retail industry faces. For instance, retail point of sale technology often uses computer systems that are several years behind the computer industry as a whole.

HR Challenges in the Retail Sector

- **High Turnover:** Retail is notorious for having a high rate of employee turnover. This means employees routinely come and go, which poses several challenges. Training and developing are difficult, time consuming and constant if you constantly have to recruit and hire new people.
- **Diversity:** A diverse workforce is typically regarded as a good thing. It helps a retailer better connect with its marketplace and usually leads to more and better ideas and results. However, a staff of people from widely varying demographic backgrounds might have trouble developing cohesiveness.
- **Misconceptions:** To build a staff of competent, committed and motivated employees, retailers must overcome a number of common challenges and misconceptions about the work environment. Common concerns include long hours, no full-time jobs or benefits, low pay and no growth opportunities.
- **Seasonal Demand:** Retailers often experience seasonal demand fluctuations. The holiday buying season, from "Black Friday" through Christmas, is well-known as the busiest shopping season of the year. Retailers often try to add temporary staff during these times.
- **Talent crunch at middle and senior level managements:** The retail industry is facing serious talent crunch especially at the middle level management. Though unskilled labor is easily available for the sector at entry levels,.
- **Lack of professionally educated workforce:** An important problem in the retail industry is lack of professionally educated staff. Retail as an academic option at Masters level is relatively new concept and till last decade, only few universities were offering professional degrees in retail. This has created a gap in the demand and supply of talent into this industry.
- **Lack of bargaining power:** Another problem is that such low skilled workforce usually agrees to work at low salaries giving the power of negotiations in the hands of bosses. This results in low job security which is yet another major challenge in the retail industry.
- **Employee poaching in the retail industry:** Employee poaching is also very high in the retail industry. Skilled manpower is scarce in this industry and as such attracting the employees of competitors by offering them better salaries and perks is a rather easy option.
- **Problems of work life balance:** Maintaining work life balance is one of the biggest challenges in the retail sector today. The retail sector does not work on standard format and the employees are often required to work for long hours and even on holidays and festivals.

- **Training:** Online competition has raised the customer service bar for stores as consumers research purchases, comparison shop and seek convenience. HR must nurture an organizational culture that embraces a positive shopping experience for each customer. Training must address an employee's role in the store's relationship with its customers.
- **Workforce Management:** Staffing the sales floor traditionally has been a balancing act for retail HR. The long business hours, frequent promotional events and seasonal nature of the industry put staffing pressure on stores to meet customer service expectations yet respect payroll budgets.
- **Recruitment:** RIS News cites Cavallino Capital's research in which 60 percent of consumers surveyed named hiring helpful staff as key for retailers to earn their loyalty. Retail HR managers struggle to attract customer-oriented candidates who are comfortable with technology and willing to accept irregular hours, holiday assignments and relatively low pay.
- **Retention:** According to the Hay Group, U.S. retail turnover reached a median rate of 67 percent in the first quarter of 2012. The continuous cycle of hiring, training and replacing associates, coupled with exposure to lost sales and sub-par customer service from inexperience, consumes HR attention.

Challenges before organized retail sector.

- ❖ Talent shortage & lack of trained manpower.
- ❖ Supply chains are not yet so efficient and the kind of quality that customers demand is not being provided yet.
- ❖ There are too many intermediaries. These long intermediaries' chains are in turn driving up their costs.
- ❖ A plethora of clearances are required for setting up retail outlet. It limits the expansion of retail outlets at a faster pace
- ❖ Inadequate infrastructure, such as roads, electricity, cord chains and posts, hampers going for a pan-India network of supplies. Due to this, retailers have to resort to multiple vendors for their requirements which is raising their costs and prices.
- ❖ Organized sector does not have industry status. It is further making it difficult for the players to raise funds for their expansion plans.
- ❖ Government restrictions on FDI limit are resulting in limited exposure to international best practices

Tips for HR in retail sector

- **Choice and control:** It's key for retail managers to empower their employees by making them part of day-to-day decision-making processes and giving them a level of choice and control over their own work schedules, although within set parameters. By providing a structured process for the management of employee scheduling, for example input into attendance and holidays.
- **Anywhere, anytime access in the cloud:** One of the many benefits of a cloud-based workforce management application is that it enables employees to access their schedules from anywhere and on any internet-enabled device. This increased accessibility, made possible by the cloud, offers staff the flexibility to view shifts, bid for additional work, swap with colleagues
- **Train decision-makers:** Training employees and giving them the ability to resolve disputes instantly and the authority to make certain decisions without approval from a manager, enables retailers to empower employees and improve decision-making efficiency.
- **Reward good service, not just sales:** Sales targets are an essential part of any retail business, but rewarding employees for other actions such as attendance or customer service successes, can be just as fruitful.

- **Introduce an element of competition and fun:** ‘Gamification’ has the potential to increase employee engagement, especially in the retail environment, and this doesn’t have to result in financial or other material rewards, it can purely be adding an element of competition to processes or targets.

Suggestions

- Indian retailers need creative HR practices to manage a huge workforce in a competitive environment enhance the competency and retention of their employees.
- There are too many companies chasing too little talent. The retailers should maintain their goodwill in the overall employment market by communicating its attributes in a way that distinguishes the company from the competitors.
- Find the right talent that is willing to commit over the long-term.
- Attractive compensation package should be provided to the employees which includes both direct (salaries, commission and bonuses) as well as indirect payments (paid vacations, health and life insurance and retirement plans).
- The problem of attrition is very common nowadays. Retaining is more challenging than hiring. Hence, retailers must examine different strategies which they can use to reduce turnover and boost the morale of their employees

Conclusions

Retail organizations have significant business challenges ahead. In order to continue to survive and thrive, executives must align employee performance with customer satisfaction and loyalty as a part of a successful retail strategy. The human resource management practices are vital for the development of any business or sector. The HRM practices have inevitable dependence on the organized retailers. In retail organization Human Resources is the backbone of the business. Each employee has a big role in a small retail environment. Hence the HR team needs to really take care of them and take care of their daily requirements. HR needs to take care of their health, need to create vibrancy, develop eloquently motivational factors like incentives or perks to continuously motivate them and also impart knowledge to them and train them.

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