

MANAGING EMPLOYEE RETENTION AND TURNOVER IN THE RETAIL SECTOR**RASHMI KODIKAL****ASST. PROFESSOR, P A COLLEGE OF ENGINEERING, NADUPADAV, MANGALORE****RESEARCH SCHOLAR****DEPARTMENT OF BUSINESS ADMINISTRATION****MANGALORE UNIVERSITY****MANGALAGANGOTHRI****DR. P PAKKEERAPPA****PROFESSOR****DEPARTMENT OF BUSINESS ADMINISTRATION****MANGALORE UNIVERSITY****MANGALAGANGOTHRI****NIDA AHMED****LECTURER****P.A COLLEGE OF ENGINEERING****NADUPADAV****ABSTRACT**

Retailing is one of the largest sectors in the global economy. Indian retail industry is the largest industry in India, with an employment of around 8% and contributing to over 10% of the country's GDP. Retail industry in India is expected to rise by 25% yearly mainly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. Retailing is human resource-centered. According to a report titled 'India Organised Retail Market 2010', published by Knight Frank India in May 2010 during 2010-12, around 55 million square feet (sq ft) of retail space will be ready in Mumbai, national capital region (NCR), Bengaluru, Kolkata, Chennai, Hyderabad and Pune. According to a report by the Mercer, the average attrition in 2010 was 10% across Indian companies, a rate that may rise to 25% in 2011-12 with improved salaries. With 88 per cent of Indian companies expected to recruit larger number of employees next year, the likelihood is that the churn will be even bigger. The retail boom has witnessed large-scale recruitment across the country, but that has led the industry to grapple with high attrition too. This has prompted retailers to try out new innovations aimed at not just getting raw and new talent but also retaining employees. In view of the growing importance of human resource in the retail business, the authors are motivated to write this paper, discussing the issues involved, challenges faced by the retailers and the strategies to be evolved to make better utilization of the man power resource.

KEYWORDS

Retail, attrition, retention strategies.

INTRODUCTION

The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything:

- a wide assortment of good-quality merchandise;
- the lowest possible prices;
- guaranteed satisfaction with what you buy;
- friendly, knowledgeable service;
- convenient hours; free parking;
- a pleasant shopping experience.

Sam Walton, Founder Chairman, Wal-Mart (1918-1992)

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. Retail industry has emerged as one of the most dynamic and fast paced industries with several players entering the market. It is gradually inching its way towards becoming the next boom industry. The last few years have witnessed an unforeseen pace of transformation in India's retail sector. The major cities have seen a mushrooming of glitzy malls, while modern format retail stores of various hues have spread to every corner of the world. The Indian retail market is one of the fastest growing industries and is expected to grow from US\$ 392.63 billion in 2011 to US\$ 674.37 billion by 2014, it said in terms of volumes, retail sales in India would grow at an average of four per cent between 2010 and 2014. Indian retail industry is the largest industry in India, with an employment of around 8% and contributing to over 10% of the country's GDP. The present employment in the retail business is nearly 4 crores and around 20 crores depend on this sector. There is a scope of better exposure to the international standards with the entry of transnational companies, which in turn is encouraging more & more retail management programs to open up and help bridging the gap of supply & demand of talented professionals for management. Retail industry in India is expected to rise by 25% yearly mainly being driven by strong income growth, changing lifestyles, and favorable demographic patterns.

The Indian retail industry is poised for an explosive growth. Presently India is rated as the fifth most attractive emerging retail market and is seen as a potential goldmine. A T Kearney, the well known international consultancy, recently identified India as the second most attractive retail destinations globally from among thirty most emergent markets. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. Modern retail business accounts for about 4 per cent of the total retail market in India. This share is expected to increase to about 15 -20 per cent with the entry of a number of corporate into the segment. Modern retail formats have grown by 25-30 per cent in India in the last year and could be worth US\$ 175-200 billion by 2016.

Besides this, a shopping revolution is ushering in India. Retailing has changed the whole concept of shopping in terms of format and consumer buying behavior. Modern retail has entered India and can be seen as sprawling shopping centers, multi- storied malls and huge complexes offering shopping, entertainment and food all under one roof. the Indian retailing sector is at an inflexion point where the growth of the organized retailing and growth of organized retailing and growth in consumption by Indian population is going to take a higher growth trajectory .The key drivers for growth of retail sector in Indian cities are:

- Demographic change
- Dual income nuclear family
- Emerging services sector

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- Suppliers/brands willing to partner with retailers
- Acceptance in the job market
- High income consumers
- Media explosion
- Reasonable pricing for the quality and branded stuff.
- India on the radar of global retailers

Despite all these crucial developments, only Rs. 67310 crores of the entire retail industry is organized. This is about 5% of India's retailing sector. The top five players account for less than 1% of the entire market. A huge 12-15 million outlets constitute the rest of the 98% of the unorganized sector. Despite the enormous growth opportunities available in Indian retail, the sector continues to be burdened by a wide variety of roadblocks that act as barriers to the otherwise upbeat scenario. A few of them are:

- Regulatory barriers that restrict the FDI.
- Dominance of unorganised sector
- Lack of skilled human capital
- High attrition rate in the industry
- Low operation size
- Lack of retail space.

Given that only 5% of the total retail market is organized, there is ample space and time to experiment with innovative formats and value propositions. There is enough room for new players to co-exist. More opportunities to make Indian brand win are to create buying power through credit, to price competitively, to exist unsustainable non-core business, to focus on power brands and to think of alternative models for a wider reach. The above significant factors amply demonstrate the growth and development of retail markets depends upon the vibrant and talented human resource.

HUMAN RESOURCE MANAGEMENT IN RETAIL SECTORS

"Take away my factories, but leave my people, and soon we will have a new and better factory." Andrew Carnegie, the American steel billionaire."

The impact of human resource management (HRM) policies and practices on firms performance is an important topic in the field of human resource management, industrial relations, and industrial and organisational psychology (Boudreau 1991, Jones & Wright 1992, Kleiner 1990). A number of texts have appeared in recent years promoting the advantages of using high involvement human resource practices (Arthur 1994, Kochan & Osterman, 1994, Levine 1995, Pfeffer 1998, Guthrie 2001) as well as on the use of High Performance Work Practices, which can improve the knowledge, skills, and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees (Jones & Wright 1992). Retailers achieve their financial objectives by effectively managing their five crucial resources: their location, merchandise inventory, stores, employees and customers. Human Resource Management (HRM) is particularly vital in retail sector as they are labour intensive like service sector. HRM can be the basis of a sustainable competitive advantage for the following three reasons. First, labour cost accounts for a significant percentage of retailer's total expenses. Thus, effective management of employees can result in cost advantage. Second, the experience that most customers have with a retailer is determined by the activities of employees who select merchandise; provide information and assistance and stock display and shelves. Thus, organisation's talent plays a major role in differentiating a retailer's offering from its competitors offering. Finally, the potential advantages are difficult to duplicate.

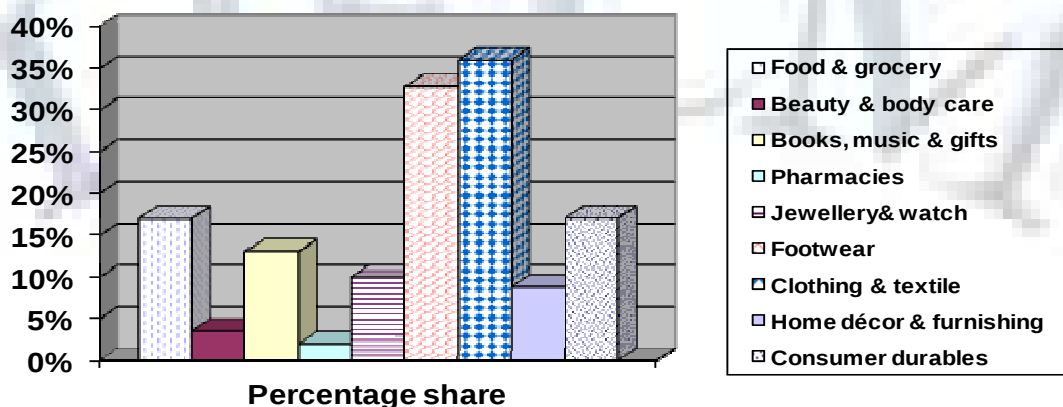
Retailing is human resource-centered. It is estimated that in India up to 95 million square feet of retail space would be created by the end of 2012. Assuming one front end customer associate for every 300 square feet of retail space created India would need approximately an additional 2,10,000 customer associates in the next three years. Jobs in the organized sector includes those at the malls, discount formats, stop over formats such as those within the petrol bunks, departmental stores, brand retail chains, specialty retailers, hypermarkets, supermarkets in a cross section of products and services –fashion, food, grocery, consumer durables, FMCG, lifestyle goods etc. newer formats like cellular/mobile shops, retailing by IT voice and video applications etc. will be dominant in offering jobs in retail –especially front end sales and customer service jobs. The following table depicts the human capital and its share in organized retail

TABLE: HUMAN CAPITAL IN ORGANIZED RETAIL (% SHARE)

Retail forms	Percentage share
Food & grocery	17%
Beauty & body care	3.56%
Books, music & gifts	13.08%
Pharmacies	2%
Jewellery & watch	10%
Footwear	32.84%
Clothing & textile	36%
Home décor & furnishing	8.76%
Consumer durables	17.04%

Source: <http://www.docstoc.com/docs/27855682/AN-ANALYSIS-OF-INDIAN-RETAIL-INDUSTRY>

The data arranged in the above table is shown in the bar diagram.



Source: <http://www.docstoc.com/docs/27855682/AN-ANALYSIS-OF-INDIAN-RETAIL-INDUSTRY>

In view of its growing importance in the business, the authors are motivated to write this paper, discussing the issues involved, challenges faced by them and the strategies to be evolved.

ISSUES FACING HR IN RETAIL SECTOR

There are a number of issues involved in retail business in India which certainly impact the growth of the sector. Undoubtedly, the retail businesses need large scale hiring and staffing in the retailing is unique due to the following reasons:

- Retail jobs in the frontline are low paid jobs with an industry average of Rs 3000. Hence salary paid cannot be used as motivators to induce people to apply for jobs.
- Retail jobs are also not career builders in the short run. Not many of the front lines can grow to become departmental /stores head
- Value addition is very uncommon except in few professionally run retailing units. There is paucity in effective training imparted to the front liners.
- There is hardly any kind of human resource strategy devised in retailing sector. Though retailers spend a lot in incorporating international standards in to their outlets but fail in doing the same, when it comes to human resource.
- Retail jobs are physically very demanding. Employees are required to work for 10hours a day, six days a week, work on weekends, holidays and festive days.
- Attrition level is very high in retail sector. The attrition in the middle and senior management is not as significant as that of front end personnel; it is almost 20% in front liners. But another key issue is lack of competency in modern retailing practices.

CHALLENGES FACED IN HRM IN RETAILING

The HR managers in retail sector are currently facing the following challenges:

- Managing part –time employees is the biggest challenge for an HR manager in the retail firm, as they work only during their shift and are not totally involved in their work.
- Retailers operate on thin margins and hence have to be cautious in paying high wages. Paying high salaries will deprive them of good profits.
- Unavailability of experienced manpower.
- Threat of poaching
- Changing employee demographics with acute shortage of skilled sales force. As there is ample opportunities in the Indian economy with a large chunk of youngsters being recruited by the BPO's and call centers, there is acute shortage of freshers.
- Differences in work culture and values in the arena of work.
- Work force diversity.
- Retailers have to compete with other high growth industries like telecom, insurance and more specifically ITes/BPO firms which look for similar skill sets like customer orientation, selling skills and communication skills. Salary levels offered in most IT companies are significantly higher and thus making it an attractive jump for front end employees in retail.
- Knowledge of the products and services can directly influence the sale in retail formats with assisted selling. Lack of competency can directly affect the stores reputation.
- Stressful environment.
- Lack of formal retailing education.
- Most retail employees come with very minimal qualification; therefore they cannot be subjected to intense conceptual inputs or classroom inputs. On the other hand employees in retail sector cannot be spared for long hours or days for training, hence providing them effective training without hindering their work becomes a real predicament and a major challenge

TOP TWELVE RETENTION STRATEGIES

The above challenges need an urgent attention by the Marketing Managers in general and the HR managers in particular in the retail sector. It is a serious observation that the organizations must consider attrition while drawing their recruitment plans. According to a report by the Mercer, a human resources consultancy the average attrition in 2010 was 10% across Indian companies, a rate that may rise to 25% in 2011-12 with improved salaries. With 88 per cent of Indian companies expected to recruit larger number of employees next year, the likelihood is that the churn will be even bigger. The retail boom has witnessed large-scale recruitment across the country, but that has led the industry to grapple with high attrition too. This has prompted retailers to try out new innovations aimed at not just getting raw and new talent but also retaining employees.

Retention of key and talented employees is very critical to the long-term health and success of any organization. It is a known fact that retaining employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning. Unlike other industries retailing is facing new challenges and issues in managing its human resource. Keeping in view the above challenges and issues the authors have suggested the following retention strategies which can be implemented in order to reduce the inefficiencies and attrition in the sector:

- **COMPENSATION:** the biggest challenge of ensuring employees contribution to business results is in figuring out what kind of reward and recognition program to implement. It should be well remembered that pay related programmes can establish a strong nexus between employee motivation and profitability of the store. Hence, a compensation package has to be so devised that it is low on guaranteed pay but aggressive on store profitability-linked bonuses or incentives. The type of a package ensures good performance from the employees as they shall be rewarded in accordance to their performance.
- **JOB ROTATION:** Many retail sectors work on shift basis. All shifts may not be beneficial. Hence rotation in shifts should be fair, irrespective of preference given by the employees. Similarly rotation during peak hours of the support should also be fair. Equal opportunity should be extended to all for showing their individual dexterity.
- **EMPLOYEE RECOGNITION:** The companies need to prioritize employee recognition and understand the power of recognizing the talent to motivate and to retain them. This is expected to trigger an improvement in morale and motivational factors. This may be supplemented by prizes, awards, foreign travel, club membership etc.
- **HEALTHY MANAGEMENT PRACTICES:** this refers to ensuring that the store employees are kept satisfied by meeting all their basic needs and expectations as per the promise made. This includes paying salaries on time, processing leave, loan and other requests on time, providing neat and clean changing rooms, good uniforms and most important, ensuring that their issues and grievances are redressed quickly and fairly. This leads to harmonious employee relations scene in the near future.
- **BUILD BRAND NAME:** build the brand name of the company in the overall employment market by communicating its attributes in a way that distinguishes the company from the competitors. The focus of the company can be on attributes such as inclusiveness, competitiveness, fast-paced, goal oriented, values- based, having high pressure, and so on.
- **DEVELOPING A SUSTAINABLE CULTURE:** The retail organization should have the right cultural orientation to run the retail business; otherwise the best expertise shall not be able to bring success to it. It is said that retailing is a combination of a courier company, a fast food restaurant, an FMCG business, and a five star hotel. Retail has the need back end logistics complexities of a courier company. It has the speed and standardization needs of a fast food restaurant. It has the supply chain, brand management and customer knowledge requirements of an FMCG business. It calls for personal contact, attention

and ambience of a five star hotel. All these carry a very high level of attention to detail. Hence one has to develop a conducive environment where in the employees can provide the same effectively.

- **RECRUIT THE RIGHT PEOPLE AND PROVIDE CAREER ADVANCEMENT OPPORTUNITIES:** Finding qualified employees in the retail trade industry is currently a daunting challenge for many employers. And this challenge is becoming increasingly difficult to handle. In addition to establishing good recruiting methods, it will also be necessary to build on effective employee loyalty procedures if you hope to keep your best resources. The retailers have to recruit people who have an inclination towards their job and also create a sense of loyalty among them. Many retailers are trying to help the employees get higher education when they are rendering service in their businesses. For eg. Kishore Biyani -promoted Pantaloon Retail (India) has already tied up with B-schools such as Welinkar's Institute of Management Development and Research in Mumbai and Chennai Business School for recruiting students pursuing retail management courses. On the other hand, Reliance Industries Ltd., is mulling setting up a university that will have various courses, including one on retail management. Home improvement product retailer House Full International Ltd also recently announced a tie-up with Karma Retail Academy with an objective to train and create professionals for the industry and gear them up for the booming retail scenario.
- **PART TIME EMPLOYEES HAVE TO BE TREATED WITH DUE DILIGENCE:** since retail sector works on shift basis, there is lot of part time employees found working there. Here are some proven methods to motivate the part time employees:
 - a. **Orient them properly.** Avoid confusion by clearly identifying who is allowed to give the part-time worker assignments.
 - b. **Assign a mentor.** Even after proper orientation, part-time workers will be confused. Assign a full-time worker to be a mentor. The part-time worker will feel more like part of the team, and the mentor will feel good about the added responsibility.
 - c. **Mix up the work load.** Don't overload part-time workers with "grunt" tasks only. It's a common temptation to assign all low-level work to part-time employees. Find out what kind of specialized skills the part-time worker has, and take advantage of them
 - d. **Eliminate any hard feelings** between part-timers and full-timers from the start.
 - e. **Offer flexible hours.** Many part-time workers have special situations that require them to work only part-time. By allowing flexible work hours, the retailers can retain their part-time workers longer, eliminating the need for costly retraining.
 - f. **Offer financial incentives.** Most companies don't offer part-time workers bonuses. Set up a bonus plan based on company revenues. Give them a reason to get excited about their jobs. Offer part-time employees a higher wage than standard. It will prevent competitors from raiding your employees and forcing you to retrain new ones.
- **MAKE WORK FUN FOR THE EMPLOYEES:** Let the employees have fun and relaxation when the retail business is not in full swing. Preferably vacations and workshops can be arranged for the employees during this period. Remember birthdays and anniversaries of the employees, it will develop a sense of belongingness in employees.
- **BALANCE BETWEEN WORKLIFE AND PERSONAL LIFE:** helping employees maintain a balance between personal and work life is a vital strategy that can help retailers' develop a happier, more productive and more loyal employee culture. Retailers should focus on sufficient hours of work and flexibility in scheduling of those hours to meet employees personal needs as well as those of the company.
- **EMPLOYEE SAFETY SHOULD ON THE TOP PRIORITY LIST:** As the retail employees have to work during odd hours, the companies should be extra careful about the safety of the employees especially woman employees.
- **EMPLOYEE ENGAGEMENT:** The best way to retain is to provide work motivation. Challenges, job satisfaction, treating employees with significance, being sensitive to their needs and providing a flexible and predictable environment may help retention. A number of HR practices have been found like periodic training, learning opportunities, freedom and autonomy at work place, recognition of contribution etc. will make a lot of difference in enhancing retention rates.

Winning the war for talent is imperative for the success in Indian retailing. Indian retailers need to develop good HR practices to enhance competency and retention, while simultaneously developing processes and systems to ensure that high personnel turnover does not disrupt operations. Organizations need to concentrate on their most important asset –"the Human Resource" and try to retain them in the long run. This is perhaps the biggest challenge which the HR department of any retail sector is facing. It's time we address the problem scrupulously.

"The magic formulae that successful business have discovered is to treat customers like guests and employees like people"

-Peter Thomas J

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