ABSTRACT

A critical study of attrition trend in organized retail malls with special reference to Pune city

1 Introduction:

1.1 History & Present status of Organized Retail Market in India:

“The Organized Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized retail sector in India”.¹

The above information gives a basic idea as of how the problems in organized retail sector are going to affect on society because this sector is emerging as major sector for employment opportunities for youngsters and working women as referred above.

Report from consultancy firm Booz & Company, 2013, Fast growth in organized retail and opening of new malls and stores have raised attrition levels at the shop floor to alarming levels of eight per cent a month, or 96 per cent a year, say consultants. Just three to four years earlier, attrition was only two to three per cent a month. The Indian retail sector grew eight per cent annually between 2007 and 2011, with the organized segment growing at more than three times the pace of the unorganized one. The share of organized retail is expected to touch 14 per cent of the total by 2016, says a recent report from consultancy firm Booz & Company. A number of corporate groups — Reliance, Birla and Bharti, for instance — have entered the sector. Existing ones such as the Future group, Spencer’s and others have expanded, opening avenues for front-end staff.

We are seeing an attrition of 50 to 60 per cent, lower than the industry. But that is because we do not ask for a high qualification. We are okay with 10th standard pass outs, while others ask for 12th pass outs. Those (10th pass) people tend to stay for a longer time,” says a senior executive from the Mumbai-based D Mart chain. "High attrition pushes up hiring costs".
Adds Suresh J, M.D., Arvind Lifestyle Brands: "When retailers open new stores, they offer Rs. 500 more and get people. For many sales staff, even Rs. 500 hike is big enough to move."

In a recent survey done (from July 2012 to January 2013, with 34 retailers taking part) by Tata Consultancy Services and the Retailers Association of India (RAI), a third of the respondents said they had average attrition rates of more than eight per cent in a month, translating to almost 100 per cent a year.²

The above report highlights on certain important and relevant points like 8% growth rate of Organized Retail Sector (ORS), increasing rate of attrition from 3% per month in 2010 to 8% per month in 2013. Expected share of ORS is 14% in the Indian economy. This is an indicator of the need to focus on the issues related to attrition in ORS.

Shreya Biswas, 2013, has written in her article “Attrition in India to top world charts in 2013”; in Economic Times that one in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study. The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain tepid, raising concerns on employee engagement and retention.

This indicates the extreme need of strong and urgent steps to be taken to introduce good retention policy in organized retail malls.³

The author has clearly mentioned in the above article that India has the highest attrition rate in ORS against which strong action has to be taken.

Govind Shrikhande, 2013, M.D. of Shoppers Stop, says in his opinion in the article, “HR Challenge” in newspaper Business Standard, says that employees are leaving for a combination of reasons. “About 25-30 percent employees leave for higher education, another 30 per cent leave for higher salaries and others for various other reasons."

Shoppers Stop has put career progression modules within the company. Any customer associate who completes 18 months with the company becomes eligible for a ‘Baby Kangaroo’ program, wherein he will get a mentor and additional responsibilities. Once the associate clears assessment tests, he or she can become a
department manager or store manager. Those who complete 24-36 months can also get into different career growth tracks, based on their qualifications.4

This is really a good example of retention policy implemented by Shoppers Stop which gives the opportunities to rise on the career ladder. The opinion of Mr. Govind Shrikhande describes major two reasons of attrition in ORS viz. 30% for higher education and 30% for higher salary and rest 40% leave jobs for various reasons.

Chiranjiv Singh, 2012, says in his “FDI in Indian Retail Sector – Highlights and Analysis” in CAclub India- An Interactive Platform for Finance Professionals that, like every other economy, the retail sector is also one of the most crucial and extremely potential sectors of the Indian Economy. As of now, the retail sector in India accounts for approximately 33% of the GDP with 46% growth rate in past three years from 2008 to 2011. The Indian retail market is one of the top 5 retail markets in the world and employs 7% of the total Indian work-force.

The retail sector in India is divided into two main heads, viz., organized sector and unorganized sector. Organized Sector Retailers means to include the licensed retailers i.e. those, who have registered themselves for sales tax/VAT, income tax, etc. These are generally private owned large businesses, like Westside, Tanishq, Croma, Shoppers Stop, Lifestyle, Pantaloons, Reliance World, Max and many more. On the other hand, unorganized retailing refers to the traditional / kirana/ shops, general/departmental stores, /paan/beedi/ shops, etc. If we talk about the statistics, the market share of unorganized retail sector is 97% of the total retail sector, as compared to organized retail sector, which accounts for only 2-3%. This data is even after the presence of big corporate giants like Tata, Reliance, K Raheja Corp Group. It is estimated that the retail sector will reach around US $600 billion by 2020. Significantly retail industry contributes about 10% to the GDP of India, and it is the largest source of employment after agriculture in the country.5

In this article it is mentioned that India has found its place in the world’s retail market. It also mentions that the growth of organized retail is less but it is increasing and generating good scope for employment.

GouriAgteyAthale, 2006, mentioned in her article in Economic Times dated Aug 15, 2006, PUNE: The retail juggernaut rolls on, especially in Pune where studies indicate that organized retail attracts a higher spend than the national average. Estimates indicate that Pune has 8-12 lakh sq ft in organized retail space already built
up, with another 30 lakh sq ft space to be added over the next two years. These are projects which have either been announced or are under construction. This kind of construction represents huge investments. At an average cost per square ft of Rs 2,500, the amount range from Rs 200 crore for 8 lakh sq ft to Rs 750 crore for 30 lakh sq ft. This, moreover, represents just organized retail, in the form of malls, multiplexes and large departmental stores. Most of this development is being done by local developers although their tenants will be global or Indian brands. Retail real estate begins to look up in Pune.  

The author in this article highlights the point that huge investments are made by organized retail malls in Pune and therefore there is a lot of scope for employment in organized retail sector.

Some statistical information is given below in the graph to know the growth of the Organized Retail Industry in India in comparison with the total retail in the country. It shows that the contribution of organized retail is increased from approximately Rs.5000 crores to Rs.70000 crores from the year 1999 to 2010. In comparison with that the total retail was Rs. 750000 crores in 1999 and Rs. 2200000 crores in 2010. In conclusion, the percentage in the contribution of organized retail over total retail in the country is increased from 0.6 % in 1999 to 3.2 % in 2010.  

1.2 Scope for employment opportunities:

With reference to one article in newspaper Times of India, 2012, it is a small wonder that retail sector has opened the floodgates of employment opportunities to the Indian youth. Statistics reveal that the organized retail sector has increasing
employee base burgeoning from 5.4 lakh to an awesome 16 lakh over the last couple of years. About 2 millions jobs were thrown open in the organized retail sector by 2010 with all key players including Pantaloon India, RPG Retail, Lifestyle, Wills lifestyle, Shoppers shop, Trent Ltd, Crosswords Bookstores Ltd., Ebony Retail Ltd. and Reliance Retail Ltd. The retail sector has abundant opportunities for part time positions as well due to the long working hours.8

According to this newspaper article it is sure that tremendous job openings are going to throw open in organized retail sector.

DileepAthavale,2012, Demand and absorption for real estate for retail segment in the city has seen a rise in the recent months. The segment, which had been languishing for a long time, has been showing signs of a comeback, to appropriate property becoming available, reports have indicated. The asking rentals for retail space have however remained stable or even declined in certain locations, the reports added. The India Retail Market Review for July-December 2011, by real estate advisory firm CB Richard Ellis said the organized retail mall market witnessed an increase in absorption of retail space due to scarcity of quality retail supply in high street locations in Pune such as MG Road, JM Road and Aundh Road. Also encouraging the absorption were the affordable rental values, the report said. Mall developments witnessed absorption of almost 30 lakh sq ft of retail space during this review period, which was an increase from the previous review period. The report points out key developments that came on stream included Amanora Mall in Hadapsar, with a leasable area of around 1 million sq ft, Phoneix Market City (1 million sq ft) in Vimannagar and Pacific Mall (5,00,000 sq ft) at Swargate.9

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers.

The government of Man Mohan Singh, Prime Minister, announced on 24th November 2011 the following:

- India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalization reform passed by an Indian cabinet in years;
• Single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent;
• Both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;
• All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India;
• Multi-brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;
• The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide not to implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.

The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

A Wall Street Journal article claims that fresh investments in Indian organized retail will generate 10 million new jobs between 2012–2014, and about five to six million of them in logistics alone; even though the retail market is being opened to just 53 cities out of about 8000 towns and cities in India.10
2. Significance of the study:

Under the present circumstances, retention and motivation of personnel on ORS has become the major concern of HR. Looking at the current scenario, it could be said that there is an acute shortage of middle level management professionals in the Indian Retail Industry. The current trend is to hire from a smaller organization tempting the incumbent with a better pay package. It is imperative that suitable talent be hired in various areas such as technology, supply chain, logistics, product development and marketing in order to stay side by side of the hectic race for success among MNCs. The call is for HR practitioners to play a more proactive and prominent role in order to retain the high tech skilled employees who are constantly looking for greater gains and prospects in their work. This is the real HR challenge to retain the "workers" by introducing new processes and procedures and still ride high in implementing organizational effectiveness.

The study of attrition will certainly enable to find out the ways to ensure longer sustainability of the organized retail malls.

Good HR practices can build better relationship with customers. Traditional shop keepers have been successful to create and maintain good customer relations. In organized markets it is necessary to inculcate better values in the initial stages of the development to establish high quality HR practices and organizational culture. This will create a strong bonding between employees and customers for longer period.

Without the help of well trained, loyal and committed human resource, organized retail malls cannot achieve strong position in the retail sector. The reason is a very strong and wide spread network of traditional market has notable personal touch with the customers and even their family members. This results in the lifelong business with customers for generations.

3 Review of Literature:

3.1.1 Deloitte Touche Tohmatsu India Pvt Ltd, 2013, in its article “Retail Sector - An HR Point of View”, Human Capital Advisory Services, February 2013, has commented as under: Human Capital Advisory Services Human Resource Departments across retail organizations will need to adopt innovative practices to attract and engage employees. Technology would be a key enabler that facilitates interventions reaching the masses at breakthrough speeds. HR needs to think differently and endeavor to make sure that critical and trained employees are used effectively for the new formats that may be developed in
the near future. The need of the day is to be able to attract talent and retain them by progressively responding to the growing need of the industry. In order to address on-going challenges of retention, HR needs to continue to deploy effective on boarding programs, engagement initiatives. It is important to measure effectiveness of existing programs and improvise as needed so that goals are consistently being met. A focused approach will be needed to develop talent through multiple ways, identifying unique ways which go beyond regular classroom training and on the jobs exposure to unearth and utilize the full people potential. The Report also gives the information about past, present and future of organized retail market.  

Past: As mentioned above, past focus has been mostly on hiring since attrition is very high in this sector. As retail is one of the fast growing sectors in India, the key business motive was also on expansion, thus, having HR majorly focus on recruiting and getting people on floor on time.  

Present: Due to the boom in the retail sector there are lots of attractive job opportunities in the market, especially for front line sales. The current focus has shifted to control attrition, increase productivity, reduce cost, and minimize hiring. This is done so that profitability can be matched by the initiatives taken. Some companies are making huge investments in their people by introducing, Individual Development plans, and professional grooming courses to match with international standards and building the culture and organizational capability. This would help HR move up the value chain.  

Future:  
Looking at government reforms and focuses on the sector, the perceived future HR focus areas will be as follows:
- Building strong rewards & recognition program
- Aggressive Incentive Plans
- Building practices to retain critical talent
- Acquire skill sets that is scarce
- Capability building and continuous focus on Training
- Create a strong performance driven & learning culture

Many retailers have already started building in-house training centers and capability development practices. Some organizations have their internal
training academy and continuously undertake skill development. In the long run, these provide an impetus to employees to upgrade and progress in their respective careers. For organization, it serves as a tool to manage their talent and skill. Retailers are aware of the reasons that have led to key challenges such as: Attrition and Talent Acquisition and have adopted initiatives to address those effectively. Given below are the key reasons for attrition faced by the retailers:

- The frontline staff requires young graduates with more service orientation. But, retail industry is not seen as an industry to make a career. The mind-set of front line sales executives is always to earn a penny more. This calls for high employee turnover
- Though retail organizations invest heavily on training, it is difficult to have the staff be ready from day one to be on the floor. After taking training employees may choose to take up another job with marginally higher pay.
- Another reason for attrition is alternative sources of employment available e.g. IT, ITES, LIC agency, etc. Employees switch for mere hike of Rs.500.
- Many retailers also face a problem of brand positioning in market. Fresh graduates look up to bigger brands, rather renowned brands. Certain international brand names which do not have good brand positioning in Indian market face problem in attracting good talent.\(^{12}\)

3.1.2 **Defining Attrition:**

**Oxford Dictionary, 2013** defines the word attrition as under:

“The process of reducing something’s strength or effectiveness through sustained attack or pressure.”\(^{13}\)

“The gradual reduction of a workforce by employees leaving and not being replaced rather than by redundancy”. For example, The company said that it will reduce its worldwide employment by about 10% through attrition.\(^{13}\)

Definition of Employees’ Attrition as per Cambridge Dictionary: “A reduction in the number of employees in a company made by not replacing those who leave, rather than forcing people to leave their jobs”\(^{14}\).

Definition of Employees’ Turnover as per Cambridge Dictionary: “The rate at which employees leave a company and are replaced by new employees”\(^{15}\).
3.1.3 Reasons for attrition:

3.1.3.1 Geraldine Garner, 2008, has written in the article “Five Attrition Factors and What You Can Do about Them” in the magazine for professional engineers that following are the reasons of employee attrition:

   a. People and Communication
   b. Work Assignments
   c. Lack of Career Opportunities
   d. Infrastructure
   e. The Company

3.1.3.2 Jacqui Barrett-Poindexter, 2012, posted on his blog the reasons of resignation of employees which throws light on the reasons of attrition. Below are ten reasons why employees resign:

   1. Employees Feel Underappreciated
   2. A Lack of Proper Compensation
   3. Insufficient Time Off
   4. Change In Management
   5. Outdated Machinery and Equipment.
   6. Unrealistic Goals
   7. Lack of Management Support
   8. The Need to Be Challenged
   9. Lack of a Joyful Environment
   10. Lack of a Clear Pathway to Success

Companies spend a lot of time, energy and money to hire the right people. All of these resources are wasted if they can’t keep the people they’ve invested so much in already.

3.1.3.3 Citeman, 2012, It is not easy to find out as to who contributes and who has the control on the attrition of employees. Various studies/surveys conducted indicate that every one is contributing to the prevailing attrition. Attrition does not happen for one or two reasons. The way the industry is projected and speed at which the companies are expanding has a major part in attrition. The specific reasons for attrition are varied in nature and it is interesting to know why the people change jobs so quickly. Even today, the main reason for
changing jobs is for higher salary and better benefits. While attrition cannot be attributed to employees alone, let us look at some of the possible reasons:

1. Organizational matters: The employees always assess the management values, work culture, work practices and credibility of the organization.
2. Working environment
3. Job pressure and stress
4. Monotony
5. Salary and other benefits
6. Personal reasons:
   The personal reasons are many and only few are visible to us. They vary widely from getting married to relocating for health/family reasons. The next important personal reason is going for higher education.\(^\text{18}\)

3.1.3.4 As per Indian Retail Industry website, 2012, following are the Challenges with respect to human resources: The Indian organized retail players shell out more than 7% of sales towards personnel costs. The high HR costs are essentially the costs incurred on training employees as there is a severe scarcity for skilled labor in India. The retail industry faces attrition rates as high as 50%, which is high when compared to other sectors also. Changes in career path, employee benefits offered by competitors of similar industries, flexible and better working hours and conditions contribute to the high attrition.\(^\text{19}\)

4 Objectives and Scope of the study

4.1 Objectives of the Study:

4.1.1 To measure the attrition rate in selected organized retail malls in Pune city
4.1.2 To find out & analyze the reasons behind the attrition in those selected organized retail malls.
4.1.3 To suggest different retention policies to overcome the problem of attrition in organized retail malls.
4.2 Scope of the study:  
The study is conducted in Pune Municipal Corporation and Pimpri-Chinchwad Municipal Corporation areas. Henceforth in this study the area will be called as ‘Pune City’ as Pune and Pimpri-Chinchwad area are supposed as one business hub not two separate areas. The study is restricted to Organized Retail Malls in Pune City.

4.3 Limitations of the study:  
4.3.1 Being Retail Organized Sector is the recent development in the Indian Economy the period of study is for five years from 2007-08 to 2012-13.
4.3.2 Respondent employees are mostly belonging to young generation.
4.3.3 For the purpose of this study the researcher is interested to evaluate management policies for retention of the employees however it seems to be difficult to obtain the data from the management.

5 Defining the Problem: It is estimated that the retail sector will reach around US $600 billion by 2020. Significantly retail industry contributes about 10% to the GDP of India, and it is the largest source of employment after agriculture in the country. The Indian retail market is one of the top 5 retail markets in the world and employs 7% of the total Indian workforce. However fast growth in organized retail and opening of new malls and stores have raised attrition levels at the shop floor to alarming levels of eight per cent a month, or 96 per cent a year. Just three to four years earlier, attrition was only two to three per cent a month.  
Referring to the meaning of attrition the normal reduction in the workforce in ORM in current scene is creating a huge gap of growing requirement of trained workforce. The problem is more severe because the attrition is very high in the growing trend of the sector. Therefore the researcher wants to focus on the attrition problem in ORM so as to suggest the policy makers the ways to resolve the matter in advance.

6 Hypotheses of the Study:  
6.1 H1: Salary and benefits are correlated with the behavior of leaving assignments.
6.2 H2: Working conditions are correlated with the behavior of leaving assignments.
6.3 H3: Opportunities for Career Growth are correlated with the behavior of leaving assignments.
6.4 H4: Rate of attrition in organized retailing malls are having significant variations.

7 **Research Design:** With reference to the literature reviewed and observations the researcher will be focusing on the following parameters / factors affecting on attrition in ORM (Diagram No.2):

7.1 **Parameters / factors affecting on attrition in ORM**
- 7.1.1 Salary & Benefits
- 7.1.2 Working Conditions
- 7.1.3 Career Growth
- 7.1.4 Personal Reasons
- 7.1.5 Social Status
- 7.1.6 Internal Personal Relations at Workplace
- 7.1.7 Other Miscellaneous Causes

7.2 **Research Tool:** Being a descriptive research an opinion survey will be carried out by the researcher. A well designed, reviewed and pilot tested questionnaire preferably in Likert’s 5 points scale will be used as a tool to collect the research data from the front line and middle management level employees in the selected ORM.

7.3 **Respondents:** The respondents will be the front line employees of selected Organized Retail Malls in Pune city. Any supporting information will be collected from the Administration or HR department of the malls.

7.4 **Selection of ORMs as respondents’ organizations for this research:** As per the initial survey made by the researcher and information collected there are 112 organized retail malls in Pune city. The actual selection will be done on the basis of employees’ population of ORM in Pune city after collecting the data to that effect. Also area wise representation will be taken in to consideration.
8 Data Collection Method & Technique of Sampling

8.1 Primary Data: Primary data will be collected from the employees of the organized retail malls through well designed and tested questionnaire. The questionnaire will be addressed to the front line and middle management level employees in the selected ORM.

8.2 Sample Size: Sample size will be taken at the rate of 10% (or more as per the need) of the total number of employees in the organized retail sector in Pune City by using Stratified Random Sampling method.

8.3 Secondary Data: Secondary data will be collected with the help of books, journals, research papers, Ph.D. theses, internet and any other medium of reliable secondary information.

8.4 Data Presentation: The collected data will be presented with the help of graphs, charts and tables which will be listed and numbered.

8.5 Data Analysis & Interpretation: Necessary statistical techniques like mean, standard deviation, correlation, regression, hypothesis testing by using appropriate test e.g. ‘t’ test may be used to analyze and further interpret the data to arrive at conclusion and findings.

9 Chapter Scheme:
Chapter 1: Introduction
Chapter 2: Review Of Literature
Chapter 3: Research Design And Methodology
Chapter 4: Analysis And Interpretation Of Causes Of Attrition
Chapter 5: Analysis Of The Data: Trends Of Attrition Rates
Chapter 6: Findings, Conclusions And Suggestions
Bibliography

10 Reference Period: From Year 2007-08 To 2014-15

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Mrs. Jyoti Bhanage      Dr. Mukund N. Dongare
Research Student       Research Guide