CHAPTER III
AN OVERVIEW OF THE RETAIL INDUSTRY IN INDIA

3.1 Introduction

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US $ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (ASA Report, 2012).

Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation and increased turn over. Organized retailing is showing signs of enormous creativity. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The Indian retail industry has strong linkages with the economic growth and development of the economy. Liberalization of the economy, rise in per capita income, population, improved infrastructure, and growing consumerism are the significant factors for the development of organized retail in India.

The recent announcement by the Indian government with Foreign Direct Investment (FDI) in retail, especially allowing 100% FDI in single brands and multi-brand FDI has created positive sentiments in the retail sector. The announcement sparked intense activism, both in opposition and in support of the reforms. In January, 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate
in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India (Sharma, 2012). On 14 September, 2012, the government of India announced the opening of FDI in multi brand retail, subject to approvals by individual states. On 20, September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.

With the opening up of FDI, retail sector is expected to create huge employment as it will expand across the country at a massive scale. Organized retailing is expected to bring about positive employment impact in terms of quantity (more jobs will be created) and quality (security of job, benefits etc. will be better). According to Indian Staffing Federation (ISF), an apex body of the flexi staffing industry in India, FDI in retail can create around 4 million direct jobs and almost 5 to 6 million indirect jobs including contractual employment within a span of 10 years. With such developments in the retail it is important to look at the labour market in this sector.

The section explores the growth of the retail sector in the light of the current reforms. The industry growth drivers are analyzed in detail. Key players in the retail sector, both global and Indian, have been explored. The role of Retailer’s Association of India in developing India’s retail sector is understood. Employment in the retail sector in India has been discussed with reference to employment status, employee motivation factors and recent demand for temp staff by retail companies. The key issues surrounding retail reforms have been analyzed and challenges facing this sector have been highlighted.
3.2 Background of retail industry in India

This section analyzes growth of the retail sector in the backdrop of the recent reforms. Labour laws in the retail sector have also been discussed. The section also includes an overview of the organized and unorganized segments of the retail sector. India’s retail fundamentals have also been explored.

India, in 1997, allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about $1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraints inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition.

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. The opening of retail industry to free market competition,
some claim will enable rapid growth in retail sector of Indian economy. As part of the economic liberalization process set in place by the Industrial Policy of 1991, the Indian government has opened the retail sector to FDI slowly through a series of steps. 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 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.

3.2.1 Organized and unorganized retailing in India

India has been consistently ranked amongst the top 2 most attractive retail markets on the planet by AT Kearney for the last five years. The total retail market size in calendar year 2009 was US$450 billion in real terms, making India the world’s 7th largest retail market (asipac Report, 2012). Most analysts expect the 11.2% CAGR (compounded annual growth rate) of the last six years to continue for at least another 20 years. With this growth, the total retail market (in real terms) is expected to cross Germany’s market next year, France in 2012, UK in 2013 and Japan in 2020, only 10 years from now. Of the total market, organized retail (or formal retail) constituted only 7.8%, or US $ 35 billion. Despite the 35% CAGR of the last five years, the 7.8% share is still low compared to global standards and thus still has a huge future growth potential.
• **Organized retailing**

Organized retailing refers to trading activities undertaken by licensed retailers, those who have registered for sales tax, income tax, etc. These include corporate-backed hypermarkets and retail chains, and also privately-owned large retail businesses. Hence, organized retail which now constitutes a small four per cent of total retail sector is growing at a much faster pace of 45-50% per annum and quadruples its share in total retail trade to 16% by 2011-12. (ASA, 2012)

• **Unorganized retailing**

Unorganized retailing refers to the traditional forms of low-cost retailing, for example, local kirana shops, owner-operated general stores, paan/beedi shops, convenience stores, hand cart and street vendors, etc. The unorganized retail sector is growing at about 10% per annum with sales rising from US$ 309 billion in 2006-07 to US$ 496 billion in 2011-12 (ASA, 2012).

The following table (Table 3.2.1) give information on the share of organized retail in select countries (%):
TABLE 3.2.1: SHARE OF ORGANIZED RETAIL IN SELECT COUNTRIES (%)

<table>
<thead>
<tr>
<th>Market</th>
<th>Share of organized retail (%)</th>
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<tbody>
<tr>
<td>U.S.A.</td>
<td>85</td>
</tr>
<tr>
<td>U.K., France, Germany, Spain, Taiwan</td>
<td>75-80</td>
</tr>
<tr>
<td>Japan, South Africa</td>
<td>67-70</td>
</tr>
<tr>
<td>Brazil, Argentina, Malaysia, Thailand</td>
<td>40-50</td>
</tr>
<tr>
<td>Russia, Indonesia, Philippines</td>
<td>33-38</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>24-32</td>
</tr>
<tr>
<td>China, South Korea, Vietnam</td>
<td>18-23</td>
</tr>
<tr>
<td>India</td>
<td>&lt;8</td>
</tr>
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As is obvious from the above table, organized/formal retail in India still has tremendous potential to grow. To reach a 15% share of the total retail market in the next five years, organized/formal retail has to grow to US$115 billion, at a CAGR of 27%, which is very realistic, given the 35% CAGR of the last five years.

3.2.2 India’s retail fundamentals

India’s retail sector is an evolving market. The sector will grow and develop over the next four to six decades, since consumers will earn more, those below the poverty line will cross over, the gains from economic growth will be felt more inclusively, etc. As more retailers enter the market and expand operations, consumers’ buying patterns and shopping habits will also evolve.
Retailers currently operating in the market, and those who plan to enter the market, will have enough time to understand local market dynamics, develop robust supply chains, establish formats and choose the right product assortment to meet the needs of diverse Indian consumers. Table 3.2.2 gives information on India’s retail fundamentals (PWC Research Report, 2011).

<table>
<thead>
<tr>
<th>TABLE 3.2.2: INDIA’S RETAIL FUNDAMENTALS</th>
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<tr>
<td><strong>Market Size</strong></td>
</tr>
<tr>
<td><strong>CAGR</strong></td>
</tr>
<tr>
<td><strong>Unorganized retail</strong></td>
</tr>
<tr>
<td><strong>Organized retail penetration</strong></td>
</tr>
<tr>
<td><strong>Retail density</strong></td>
</tr>
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<td><strong>Contribution to GDP</strong></td>
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India’s retail sector is worth US$ 350 billion and has a low organized retail penetration (ORP) of 5 to 8% (PwC Research Report, 2011). Modern trade emerged during the 90s, primarily in the food and grocery sector, and is now growing at a CAGR of 15 to 20%. A large market potential for a range of categories is indicated by low ORP, increasing urbanization, growing incomes, increasing consumer confidence, etc. India’s retail sector comprises organized and unorganized participants.

Recognizing the long-term growth potential of India’s retail market, some of the country’s largest conglomerates have allocated billions of dollars to launch large scale retail initiatives that span cash-and carry, food and grocery, books, music and leisure,
gems and jewellery, footwear, apparel, accessories, etc. India-based retail incumbents are expanding their presence across a range of categories, experimenting with formats, launching private labels, strengthening supply chain systems and more.

3.3 Industry growth drivers

India is one of the most desirable retail destinations in the world. India’s twin growth engines of economic growth and demographic profile set it apart from other nations and present a compelling business case for global retailers looking to enter the market. Retailing in India has witnessed tremendous growth in the last few years. Drivers fuelling the growth of the retail sector are below:

- **Changes in demographics**

  India has the lowest median age of 24 as compared to developed countries like U.S.A., U.K. and Japan. The composition of the Indian population is shifting towards the age group of 20-49 i.e. the working population with purchasing power. Approximately 60% of the Indian population is below 30 years of age. Thus, India has the largest 'young' population in terms of sheer size and this young segment is the major driver of consumption as they have the ability (disposable income) and willingness to spend.

- **Rising income levels**

  A larger number of households are getting added to the consuming class with growth in income levels. Increasing instances of double incomes in most families coupled with the rise in spending power is further fuelling the growth of retail sector.
Changes in consumer needs, attitudes and behavior

The growth of modern retail is linked to consumer needs, attitudes and behaviour. Rising income levels, education and global exposure have contributed to the evolution of the Indian middle class. As a result, purchasing and shopping habits have been inculcated and are increasing day by day. Historically, Indians have not been the ones to splurge on luxury items. Today, people are willing to try new things and look different, which has increased spending on health and beauty products apart from apparels, food and grocery items.

Increased credit friendliness

There has been a radical change in the Indian consumers' mindset regarding credit. With the easy availability of credit and declining interest rates, personal credit has witnessed growth. The boom in financing has resulted in an increase in spends on housing and consumer durables such as two-wheelers and cars. The use of plastic money (credit and debit cards) has increased significantly in the last 3-4 years. With the acceptance of and the increase in the number of electronic data converter machines installed in retailing outlets, credit and debit cards will provide further fillip to organized retail.

Increasing awareness of Indian consumers

Over the years, as a result of the increasing literacy in the country, exposure to the west, satellite television, foreign magazines and newspapers, there is a significant increase in consumer awareness among the Indians. Today more and more consumers are selective with regards to the quality of the products/services.

The Rural Market: Waking up

The rural market is beginning to emerge as an important consumption area. The 700 million Indians residing in rural India are an opportunity that retail companies cannot
ignore. Retail and consumer companies who localize their products for this market, with regard to price points, packaging, stock-keeping units (SKU) size, promotion, will succeed.

- **Entry of the corporate Sector**

  In contrast to the situation only about a decade ago, the level of interest in retailing as a growth opportunity has increased visibly now. Many organizations in India that have been for so long dealing directly with the primary distribution channel to reach customers have today embarked on reaching customers first hand by means of retailing by themselves. Corporate giants in India like Bharti, Reliance, and Birla have embarked on their retail initiatives.

- **Establishment of the supply chain**

  Over the past few years, the consumer goods sector has been transformed by increased liberalization, continuous reduction in customs duty, a shift from quota to tariff-based systems for imports and sophistication in manufacturing. Entry restrictions for multinationals have been moved in nearly all sectors. All this has enabled chain retailers to enjoy better range depth and sourcing options as well as improved average margins. There has been a proliferation in the range across all categories with retail a simultaneous increase in the supply of products and quality retail space.

- **Growing liberalization of the FDI policy in the past decade**

  Post liberalization, organized retailing has experienced exponential growth and a major fallout of this is the opening up of the wholesale and single brand retail sector to foreign direct investment (“FDI”). Removal of restrictions on FDI will certainly give a fillip to retail in India.
Other drivers

- Emergence of nuclear families
- Falling real estate prices
- Growing trend of double-income households

3.4 Key players in retail industry: Indian and Global

With an endless array of customer choices, fierce competitors, pervasive use of the internet, and a complex global economy, players in the retail industry need to focus on finding ways to sustain and grow their businesses. Successful retailers are those who are able to adapt and change to the environment and develop new ways of serving customers, respecting the dynamics of current trends and adapting accordingly. The top group companies in retail in India include the following:

- **Aditya Birla Retail Limited**
  It is the retail arm of Aditya Birla Group. The Group's foray into the retail sector began in December 2006 when it acquired Trinethra, the chain of stores based in south India. The Company ventured into food and grocery retail sector in 2007 with the acquisition of a south based supermarket chain. Subsequently, Aditya Birla Retail Ltd. expanded its presence across the country under the brand "more." with 2 formats, Supermarket (more.) & Hypermarket (more.MEGASTORE).

- **Tata Group**
  Tata group, established in 1998, is another major player in Indian retail industry with its subsidiary Trent, which operates Westside and Star India Bazaar. The group also has acquired the largest book and music retailer in India 'Landmark’ in 2005. Trent owns over 4 lakh sq. ft retail space across the country.
• **K Raheja Group**

It forayed into retail with Shopper’s Stop, India’s first departmental store in 2001. They have signed a 50:50 joint venture with the Nuance Group for Airport Retailing. Shoppers Stop has a national presence. It has also introduced new formats in the market viz HomeStop – the exclusive home furnishings, décor as well as furniture store and Hyper City– a premium shopping destination for Foods, Homeware, Home Entertainment, Hi-Tech Appliances, Furniture, Sports, Toys & Fashion. Other format of the company includes -- Crossword Book Store, Mothercare & Early Learning Centre (ELC), Estee Lauder group, Airport Retailing, TimeZone Entertainment.

• **Reliance Retail Limited**

Reliance Retail Limited (RRL), a subsidiary of Reliance India Ltd., was set up to lead Reliance Group’s foray into organized retail. Since its inception in 2006 Reliance Retail continued to expand presence of its value and specialty formats. During the year, Reliance Retail opened new stores spanning across 'value' and 'specialty' segments. The retail chain offers single brand optical products including Vision Express frames, lenses, contact lenses, sunglasses, solutions and accessories. For the very first time, consumers in India got the opportunity to experience Hamleys, which is considered to be the world’s most wonderful toy shop. iStore, by Reliance Digital, is a one-stop-shop for all Apple products and services. Reliance Fresh is the convenience store format which forms part of the retail business of Reliance Industries of India.

• **Future Group**

Future Value Retail focuses on the value retail segment through the Big Bazaar, Food Bazaar and KB’s Fairprice formats. Pantaloons Retail (India) Limited focuses on the lifestyle retail segment led by the Pantaloons and Central formats.
The following kinds of retail formats are found in India:

- **Mom-and-pop stores**
  These are generally family-owned businesses catering to small sections of society. They are small, individually run and handled retail outlets.

- **Department stores**
  These are the general merchandise retailers offering various kinds of quality products and services. These do not offer full service category products and some carry a selective product line. K Raheja's Shoppers Stop is a good example of department stores. Other examples are Lifestyle and Westside. These stores have further categories, such as home and décor, clothing, groceries, toys, etc.

- **Malls**
  These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.

- **Specialty Stores**
  The retail chains, which deal in specific categories and provide deep assortment in them are specialty stores. Examples are RPG's Music World, Mumbai's bookstore Crossword, etc.

- **Discount stores**
  These are the stores or factory outlets that provide discount on the MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over.
• **Hypermarkets / Supermarkets**
  These are generally large self-service outlets, offering a variety of categories with deep assortments. These stores contribute 30% of all food and grocery organized retail sales. Example: Big Bazaar.

• **Convenience stores**
  They are comparatively smaller stores located near residential areas. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers.

• **E-tailers**
  These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. Examples are Amazon.com, Ebay.com, etc.

Major retail groups in India have a number of formats. Below is a list of major retailers in India and their formats:

*Future Groups-Formats:*  
Big Bazaar, Food Bazaar, Pantaloons, Central,  
Fashion Station, Brand Factory, Depot, ALL, E-Zone.

*Raymond Ltd.:*  
Textiles, The Raymond Shop, Park Avenue, Park Avenue Woman, Parx, Colourplus, Neck Ties & More,  
Shirts & More etc.

*RP Group:*  
Spencer’s Hyper, Spencer's Daily, Music World, Au Bon Pain (International bakery cafeteria), Beverly Hills Polo Club
**Tata Group:** Westside, Star India Bazaar, Steeljunction, Titan Industries with World of Titans showrooms, Tanishq outlets, Croma.

**Reliance Retail-Formats:** Reliance MART, Reliance SUPER, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Digital, Reliance Jewellery, Reliance Trends, Reliance Autozone, iStore

**K Raheja Group:** Shoppers Stop, Crossword, Hyper City, Inorbit Mall

**Pyramid Retail:** Pyramid Megastore, TruMart

**Vivek Limited:** Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers

**Trinethra:** Fabmall supermarket chain and Fabcity hypermarket chain

**BPCL:** In & Out

**Aditya Birla Group:** "More" Outlets

The global retail universe is diverse covering a large number of segments, different business models, and a wide range of formats. The following are some of the global players in retail:

- **Wal-Mart**

Wal-Mart is an American multinational retailer corporation that runs chains of large discount department stores and warehouse stores. The company is the world's third largest public corporation, according to the Fortune Global 500 list in 2012. It is also the biggest private employer in the world with over two million employees, and is the largest retailer in the world. Wal-Mart remains a family-owned business, as the
company is controlled by the Walton family who own a 48% stake in Wal-Mart. Wal-Mart’s investments outside North America have had mixed results: its operations in the United Kingdom, South America and China are highly successful.

- **Carrefour**
  It is an international hypermarket chain headquartered in Boulogne Billancourt, France, in Greater Paris. It is one of the largest hypermarket chains in the world (with 1,395 hypermarkets at the end of 2009, the second largest retail group in the world in terms of revenue and third largest in profit after Wal-Mart and Tesco). Carrefour operates mainly in Europe, Argentina, Brazil, China, Colombia, Dominican Republic, United Arab Emirates and Saudi Arabia, but also has shops in North Africa and other parts of Asia, with most stores being of smaller size than hypermarket or even supermarket.

- **Tesco**
  It is a British multinational grocery and general merchandise retailer headquartered in Cheshunt, United Kingdom. It is the third-largest retailer in the world measured by revenues (after Wal-Mart and Carrefour) and the second-largest measured by profits (after Wal-Mart). It has stores in 14 countries across Asia, Europe and North America and is the grocery market leader in the UK (where it has a market share of around 30%), Malaysia, the Republic of Ireland and Thailand.

- **IKEA**
  IKEA is a privately held, international home products company that designs and sells ready-to-assemble furniture such as beds, chairs, desks, appliances and home accessories. The company is the world’s largest furniture retailer. Founded in Sweden in 1943 by 17-year-old Ingvar Kamprad, the first IKÉA store was opened in Älmhult, Småland in 1953, while the first stores outside Sweden were opened in Norway
(1963) and Denmark (1969). The stores spread to other parts of Europe in the 1970s, with the first store outside Scandinavia opening in Switzerland (1973), followed by Germany (1974). At the end of 2009 financial year, the IKEA group had 267 stores in 25 countries.

3.5 Role of Retailer’s Association of India

Retailers Association of India (RAI) is the unified voice of Indian retailers. RAI is a not for profit organization (registered under section 25 of Companies Act, 1956), works with all the stakeholders for creating the right environment for the growth of the modern retail industry in India. RAI is the body that encourages, develops, facilitates and supports retailers to become modern and adopt best practices that will delight customers. RAI has a three charter aim of Retail Development, Facilitation and Propagation.

Retailers Association of India (RAI) always strives to bring best practices to the retail industry and its stakeholders. RAI’s efforts center around advocacy and government representations, bringing best practices to the industry, fostering retail learning and training, creating a reservoir of information through retail research, disseminating communication through magazines, newsletter, website etc. for the benefit of its members and the industry. Retailers Association of India (RAI) actively interacts on policy issues with Central as well as the State Governments in the identified areas for the development of the retailers, with an objective to improve the retail environment in India.

Over the year, RAI took significant efforts towards building confidence to the retailers by its various legal and advocacy initiatives. RAI submits the Budget Expectations for the Retail Sector to the Government of India every year. RAI
organizes a series of workshops and seminars in different parts of country, to augment retailers understanding on prevailing rules and regulations. These workshops allow participants to interact with the industry experts and the policy regulators and thus help them in implementation of various rules and regulations in their organization.

RAI has been awarded membership to the Forum for International Retail Association Executives (FIRAE), United States of America. This serves as window for learning and enabling the transfer of international standards, best practices and benchmarks into our retail sector. It promotes the free exchange of information among national retail trade associations around the world.

National Skill Development Corporation (NSDC) has been mandated by Indian Government. To “catalyse” (advocate, create, fund, facilitate and incentivize) skill development in India. RAI, through their partnership with NSDC has been entrusted to set up RASCI (Retailers Association's Skill Council of India as the apex skill development council for the retail industry in India, with a mandate to skill eight million people in retail by 2022. RASCI's mandate is to create an “Ecosystem” for skill development whilst integrating all stakeholders to manage the current and future skill requirements of the retail industry. RAI always strives to bring best practices to the retail industry and its stakeholders. RAI organizes various events, seminars, conclaves, conferences and roundtables with the objective of knowledge dissemination across various verticals of the retail sector.

3.6 Employment in retail sector

With the government relaxing FDI norms for the retail sector there is resistance on the front that this will also augment the unemployment scenario in the Indian Retail industry. However, industry experts foresee a much positive scenario. Waving off the
uncertainty in the market, experts predict that the declaration of FDI in retail will benefit the entire Indian retail sector. Job opportunities across levels and profiles are expected to grow and demand for niche skills will be high. With the opening up of the Indian market to single-brand FDI employment opportunities, especially, at the entry level, will rise. Profiles such as sales, supply chain executives, security personnel, attendants, in-shop supervisors, floor managers and warehouse supervisors are likely to see significant increase in demand.

According to Indian Staffing Federation (ISF), an apex body of the flexi staffing industry in India, FDI in retail can create around 4 million direct jobs and almost 5 to 6 million indirect jobs including contractual employment within a span of 10 years. It is expected that the impact of the FDI in retail will have a much wider impact on organized employment as it shall open doors for less skilled and less educated people as well. The impact shall be far and wide and all across country according to ISF. According to ISF, with the opening up of the retail sector the only challenge will be to create enough skilled workers to cater to the demand that shall follow. The recent reforms push by the government is likely to have a positive impact on organized retail. Moreover with the recent reforms push, foreign investors are showing renewed interest in India, which is likely to result in more investments and thus more number of jobs.

Retail is a huge sector for employment in India. Traditionally retail in India has served as a source of employment for relatively low income groups seeking livelihood with minimal education or skill. With the emergence of organized retailing nature of employment has completely changed in retail. Managed by corporate retail chains, the employment status also matches other corporate sector employment. Hence, the skill expectations and performance levels are also much higher. Faced with attrition issues
and to gain flexibility in employment retail companies are now hiring temp staff through staffing agencies in large numbers.

3.6.1 Labour Laws in India’s Retail Sector

Labor regulations for India’s retail sector fall under the jurisdiction of the state governments and are contained in the Shops and Establishments Act (SEA) (Amin, 2008). The SEA is a state legislation and contains various laws relating to working conditions of the employees. The main provisions of the Act include compulsory registration of shop/establishment within thirty days of commencement of work, minimum wages, regulation of hours of work per day and week, guidelines for spread-over, rest interval, opening and closing hours, closed days, national and religious holidays, overtime work, rules for employment of children, young persons and women, rules for annual leave, maternity leave, sickness and casual leave, etc., rules for employment and termination of service; obligations of employers, obligations of employees, communications of closure of the establishment within 15 days from the closing of the establishment.

To get a better idea of what specific provisions in the SEA entail, we list some of these provisions for the state of Maharashtra, the most prosperous state and the retailing hub of India. Retail shops in the state are covered by the Bombay Shops & Establishments Act of 1948. The Act was established in 1937 but underwent substantial changes in 1948 and some modifications thereafter. Currently, the Act stipulates that under normal circumstances an employee cannot be required or allowed to work for more than nine hours in a day and 48 hours in a week (Section 14), any work beyond the stipulated working hours (overtime work) must be paid at double the normal wage rate of the employee, an employee must be allowed an interval of rest of
at least one hour after five hours of continuous work (Section 15) and his spread-over cannot exceed eleven hours in a day (Sub-sections 16 & 17), every shop must remain closed on one day of the week and no deduction of wages is to be made for the closing day (Section 18), women are not allowed to work either as employees or otherwise after 9:30 p.m. (Sub-sections 33 & 34A), young people in the age group of 15-17 years are not allowed to work after 7 p.m. and for more than six hours in a single day (Sections 33, 34 & 34A), an employee is entitled to annual leave with pay for 21 days for 240 days of work (Sub-sections 35-37) and all provisions of the Maternity Benefit Act of 1961 and Workmen’s Compensation Act of 1923 apply to every shop covered by the Act.

One concern is whether labor laws in the SEA are actually enforced. In light of the current retail reforms and the pace at which retail sector is growing in the country there is an urgent need for enforcement of labor laws for the retail sector as it is evident that a substantial number of retail stores find labor regulations as burdensome, a finding which is confirmed by a number of surveys.

3.6.2 Employment status

In organized retailing, labour is managed and controlled by the corporate office of each retail store (Shaoni & Bino, 2008). These corporate offices have hierarchical managerial structures which govern the entire operations of the retail chain right from procuring of raw materials to sale of the product in the front-end retail outlets. Organized sector retail offer jobs which have the benefits of permanent employment such as Employee Provident Fund, Gratuity, pension and medical benefits. Some companies also offer annual paid leaves. Salaries offered by the retail sector are now increasing with the increase in demand for staff in the diversity of roles that are being
offered. There is a scope for rapid promotion depending upon the performance and abilities of the employees, which is monitored and evaluated regularly. All of the benefits mentioned are applicable to employees who are on permanent rolls. All the following statutory provisions related to following acts are applicable to retail industry: Shops & Establishment, Provident Fund & Miscellaneous Provisions Act, Employee State Insurance Act, Bonus Act Minimum Wages Act and Maternity Benefit Act.

3.6.3 Demand for temp staffs in retail

With new players entering the retail sector in India and the relaxation of the FDI norms, the demand for skilled manpower is bound to increase. However, the available talent pool cannot back this demand, as retail which is a sunrise sector, has only recently emerged from its nascent phase. To compound matters, annual employee turnover for retail companies nationally, ranges from 40-50%. Retail sector in the light of the current FDI reforms is going to create a number of jobs. There is a raging demand for temp staffs as it helps retail companies cut on costs of permanent employees and gain flexibility of employment. Temporary retail openings are available in more areas than counter sales and cashiering.

With the permanence of job roles and stability called to question repeatedly in the last few years since the start of the ongoing recession, Indian firms are starting to mirror Western employers, moving increasingly towards temporary staffing, with sectors like retail now hiring a large number of temporary workers. Retail are also taking in temporary staff in large numbers. This gives companies a good safety cushion against high attrition, as all of these industries have high numbers in this regard. Temporary staffing happens right from white to blue collar workers to people with high-skill

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levels. White-collar workers are typically in front-ending retail operations, BPO, generic.

A large number of retail companies prefer to hire temp staff through staffing agencies. Agencies assist corporate clients in their staffing requirements by providing contractual or temporary manpower as and when needed. Agencies work with them in hiring or identification of temp resources and take on the selected resources on their payroll for providing services to the company. The company pays a fee to the agency for hiring a worker and has little responsibility for the worker as the agency is the legal employer of temporary staff. Responsibility of training is taken by the agencies and all the benefits due to the temp is also looked after by the agency.

Companies can tackle attrition issues and gain flexibility of employment by hiring staff through this mode of employment. Ease and speed of availability of specialized skills is an important reason for using services of temp staff. Companies pointed out that in any part of the year the agencies could provide them with temps suiting their requirement this was considered one important reason to have preference for staff through agencies. Supply of well trained and skilled employees reduces the orientation time of the temps and the time taken to integrate them with the core workers and with the operations of the company.

The range of jobs available in retail includes areas like counter sales, customer services, sales & marketing, advertising & promotions, merchandising, cashiering, stocking, pricing & tagging, visual merchandising, supply chain and logistics to name a few. While graduates and undergraduates can fit into customer-facing functions, for people with experience in technical or professional areas, there are temporary positions in marketing, advertising, administration, management, IT, public relations and accounting. There is a dearth of qualified people at all levels in retail, especially
at the middle and senior levels where people with expertise and experience in planning, conceptualizing, strategizing and execution are in great demand.

While it is true that temporary employment is now offering rapidly expanding opportunities for both companies and employees, there are undoubtedly both positive and negative aspects associated with hiring a temporary worker. In theory, temporary workers provide employers with benefits such as reduced labor costs and improved flexibility. The primary advantage for the workers is that they receive a variety of assignments that help them to expand their experience and hone their skills. At the same time, if a worker has a particular mix of skills that are in short supply and that individual is prepared to work long hours, earnings can be far higher than those in the core work force. However, both parties will suffer if the temporary worker is less capable of performing the assigned duties than a full-time, permanent employee, or if they simply lack dedication due to the transitory nature of their position.

3.6.4 Work place motivators in retail

Success of retail firms is dependent on a motivated workforce; hence firms use different job motivators to keep employees motivated and satisfied. The most important motivators used by retail stores are: working conditions, skill development, recognition, role clarity, career growth and support from management. Over the last few years, India has been experiencing a revolution in the retail market. Indian retail industry has been growing at a tremendous rate with numerous new players entering the market. The HR function in all service sector organizations like retailing is one of the pillars of success. Proper manpower planning, recruitment, motivation and retention would be essential to maintain operational smoothness and consistent
service to the customers. So far, the HR factors in retail management are largely ignored (Aneja 2006).

The issues of employee motivation, satisfaction and evaluation of productivity have not been given much importance. Consequently, with the coming of organized retail sector to India in a big way, there are several pertinent questions which haunt this industry in its infancy. There are concerns with regard to availability of trained manpower. There are debates on best ways to keep the existing workforce motivated and committed, controlling turnover, cultural issues affecting the workforce management peculiar to India and the extent to which compensation determines employee turnover. As the retail industry continues to grow, employee satisfaction and retention is likely to remain a challenge. As a result, steps which can be taken by retail industry for recruiting, training, retaining, motivating, and engaging employees for enhanced productivity need due deliberation.

Attrition is the highest for entry-level, front-end staff but tapers off as one climbs higher. Youngsters join the retail industry at lower salaries, get some experience and then move on to better jobs or back to education. The work pattern of retail industry requires employees to put in long hours of work which generally cause fatigue and lower motivation among employees. There is increasing work pressure, in particular from work overload, time pressures and deadlines, staff shortages and turnover rates and long working hours. Many retail companies are struggling to come out of this situation by emphasizing on the career path in their organizations through strong human resources initiatives, trying to create emotional bond with employees, using retention tools like raising salaries, offering incentive-based targets etc. They have realized that effective retail store management depends on motivated, satisfied and loyal employees who will be productive, maintain work schedules, and develop tenure
with the firm. In order to motivate, keep satisfied and productive employees, retail store managers must know which dimensions of the job are most important and most satisfying to employees.

Compensation has been reported as one of the key factors influencing the sales employees' satisfaction. Other motivators which must be taken into account by the retail sector to tackle attrition and keep employees motivated include working conditions, skill development, recognition, role clarity, career growth and support from management.

3.7 Controversy over Indian retail reforms

The most important debate concerning the implications for the expansion of the organized retailing in India revolves around whether it is going to have positive impacts on the economy. According to one camp, it has overall positive impacts in terms of generating more number of employments, new diversified forms of employments, and improving the nature of retail employment (higher salary, more job benefits, security of job, employability etc). As against this view, the critics of this emerging phenomenon point to the inevitable negative impacts of organized chains on the unorganized and small retailers who are under the threat of simply being wiped out by the powerful organized networks of giant retail chains. Hence the claim of overall positive impact on the economy and employment in particular is brought under scrutiny.

The second important debate is regarding whether Indian retail market should be opened up to the international retail giants. Whether the Indian retail entrepreneurs will survive competition from these established global retail chains is a pertinent question regarding current developments in retail market. Related to this is the current
debate concerning Foreign Direct Investment (FDI) in the retail sector. Moreover, there is also the possibility that the foreign retail majors will hurt domestic players with the practice of predatory pricing and become monopolies. Finally, most of these stores will be focused on major cities and big towns which might result in a skewed urban development. (Chauhan, 2006) According to the supporters of liberalization of retail sector, restricted FDI poses to be an impediment towards organized retail growth since it requires immense capital, technology and application of latest global best practices.

The retail reforms in India have sparked intense activism, both in opposition and in support of the reforms. Critics of the Indian retail reforms announcement are making one or more of the following points (Tripathi, 2011):

Independent stores will close, leading to massive job losses. Wal-Mart employs very few people in the United States. If allowed to expand in India as much as Wal-Mart has expanded in the United States, few thousand jobs may be created but millions will be lost.

Foreign retailers efficiency at supply chain management leads to "direct" procurement of goods from the supplier. In addition to eliminating the "middle-man", due to its status as the leading retailer, suppliers of goods also bend over backwards to drop prices in order to assure consistent cash flow. There is the fear that this may not benefit the farmer, or the foreign suppliers.

The small retailer and the middle man present in the retail industry plays a large part in supporting the local economy, since they typically themselves procure goods and services from the area they have their retail shops in. This leads to increased economic activity, and wealth redistribution. With large, efficient retailers, the
corporate profits are not spent in the areas where they're generated, hence killing the local economy.

- Foreign retailers may lower prices to dump goods, get competition out of the way, become a monopoly, then raise prices.
- India doesn't need foreign retailers, since homegrown companies and traditional markets may be able to do the job.
- Work will be done by Indians, profits will go to foreigners.

Supporters claim none of these objections has merit. They claim: (Tripathi, 2011)

Organized retail will need workers. Wal-Mart employs 1.4 million people in United States alone. With United States population of about 300 million, and India's population of about 1.2 billion, if Wal-Mart-like retail companies were to expand in India as much as their presence in the United States, and the staffing level in Indian stores kept at the same level as in the United States stores, Wal-Mart alone would employ 5.6 million Indian citizens. Wal-Mart has a 6.5% market share of the total United States retail. Adjusted for this market share, the expected jobs in future Indian organized retail would total over 85 million. In addition, millions of additional jobs will be created during the building of and the maintenance of retail stores, roads, cold storage centers, software industry, electronic cash registers and other retail supporting organizations. Instead of job losses, retail reforms are likely to be massive boost to Indian job availability.

KPMG, one of the world's largest audit companies, finds that in China, the employment in both retail and wholesale trade increased from 4% in 1992 to about 7% in 2001, post China opening its retail to foreign and domestic innovation and competition. In absolute terms, China experienced the creation of 26 million new jobs within 9 years, post China announcing FDI retail reforms. Additionally, contrary to
some concerns in China, post retail reforms, the number of traditional small retailers also grew by 30% over 5 years.

India needs trillions of dollar to build its infrastructure, hospitals, housing and schools for its growing population. Indian economy is small, with limited surplus capital. Beyond capital, Indian retail industry needs knowledge and global integration. Global retail leaders, some of which are partly owned by people of Indian origin, can bring this knowledge.

Wal-Mart, Carrefour, Tesco, Target, Metro, Coop are some of over 350 global retail companies with annual sales over $1 billion. These retail companies have operated for over 30 years in numerous countries. They have not become monopolies. Competition between Wal-Mart-like retailers has kept food prices in check. Anti-trust laws and state regulations, such as those in Indian legal code, have prevented food monopolies from forming anywhere in the world.

Asian countries like Malaysia, Taiwan, Thailand and Indonesia see foreign retailers as catalysts of new technology and price reduction; and they have benefitted immensely by welcoming FDI in retail. India too will benefit by integrating with the world, rather than isolating itself.

States have a right to say no to retail FDI within their jurisdiction. States have the right to add restrictions to the retail policy announced before they implement them. Thus, they can place limits on number, market share, style, diversity, homogeneity and other factors to suit their cultural preferences. Finally, in future, states can always introduce regulations and India can change the law to ensure the benefits of retail reforms reach the poorest and weakest segments of Indian society, free and fair retail competition does indeed lead to sharply lower inflation than current levels, small
farmers get better prices, jobs created by organized retail pay well, and healthier food becomes available to more households.

Inbuilt inefficiencies and wastage in distribution and storage account for why, according to some estimates, as much as 40% of food production doesn't reach consumers. Cost-conscious organized retail companies will avoid waste and loss, making food available to the weakest and poorest segment of Indian society, while increasing the income of small farmers.

Indian small shops employ workers without proper contracts, making them work long hours. Many unorganized small shops depend on child labour. A well-regulated retail sector will help curtail some of these abuses.

Organized retail has enabled a wide range of companies to start and flourish in other countries. For example, in the United States, an organized retailer named Whole Foods has rapidly grown to annual revenues of $9 billion by working closely with farmers, delighting customers and caring about the communities it has stores in.

3.8 Challenges faced by the retail sector

The challenges facing the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. Indian Retail Industry has seen an unprecedented growth for the last 15 years. The size of the middle class population has been soaring since then. People have higher disposable incomes. Retail industry benefited from this change of mindset and lifestyle. The retail industry is seeing the transition from being unorganized to being organized in nearly all sectors- apparels, entertainment, automotive, service and others. With advancement comes the problems and inspite of a bright future for organized retail in India some facts have to be considered to positively initiate the retail momentum and
ensure its sustained growth. India is now on the radar of global retailers. Accelerated development of retailing industry in the country and building brand value of domestic products is essential not only for marketing our consumer products more efficiently, but also for the development of our own retailing industry. To become a truly flourishing industry, retailing in India needs to cross the following hurdles:

- **Shortage of skilled manpower**

  Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations account for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited. Further, retail training opportunities such as niche courses for areas like merchandising, supply chain and so on are limited. A cohesive effort to develop skills within the sector can have a significant potential impact on productivity and competitiveness, both within the sector and on the wider economy.

- **Lack of industry status**

  Due to the absence of ‘industry status’, organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government should grant the much needed ‘industry status’ to the sector so that the sops that come with it helps promote both big & small retailers.

- **Policy induced barriers**

  Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively, especially with regard to
addressing the grievances of retailers. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.

- **Real estate**

Lack of sophisticated retail planning is another major challenge the sector faces. Available space is easily interchangeable between commercial and retail use. In most cities, it is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners. Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.

- **The ‘kiranas’ continue**

The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.

- **Lack of adequate infrastructure**

Poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.
• *Multiple and complex taxation system*

The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi with the introduction of Value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time.

• *Others*

Absence of developed supply chain and integrated I.T. management, intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins, political and local agitation.

The retailers in India have to learn both the art and science of retailing by closely following:

• How retailers in other parts of the world are organizing, managing, and coping up with new challenges in an ever-changing marketplace.

• Indian retailers must use innovative retail formats to enhance shopping experience, and try to understand the regional variations in consumer attitudes to retailing. Retail marketing efforts have to improve in the country - advertising, promotions, and campaigns to attract customers; building loyalty by identifying regular shoppers and offering benefits to them; efficiently managing high-value customers; and monitoring customer needs constantly, are some of the aspects which Indian retailers need to focus upon on a more pro-active basis.
3.9 Road Ahead for the Retail Industry in India

Many business groups in India are welcoming the transformation of a long-protected sector that has left Indian shoppers bereft of the scale and variety of their counterparts in more developed markets. While FDI in multi-brand retail has been opposed by several, adherents of the same indicate increased employment, enhanced supply chain efficiencies, better choices of products for consumers, amongst others, as perceived benefits.

Development of organized retail has the potential of generating employment for both the skilled and unskilled sections of the population. Big organized retail stores and chains are going to appoint and hire a lot of skilled and unskilled people. So, in the short time span, there may be a loss in jobs. But then there is an opportunity to provide more of jobs. The entry of multinational retailers is likely to start competition, to give consumers a better products and better prices. Opening up of FDI in multi-brand retail in India could potentially be a mixed blessing for domestic players. While initially the small indigenous retailers’ business would be impacted once modern retail enters the locality, this adverse impact is expected to be short-lived and to weaken over time.

In the final analysis, despite country wide speculation on the plight of small retailers, India needs to take a lesson from China where organized and unorganized retail seem to co-exist and grow together. The government certainly has an opportunity to utilize the liberalization for achieving certain of its own targets like improvement in infrastructure; access to sophisticated technologies; generation of employment amongst others.