CHAPTER 4

REVIEW OF CONSTRUCTS IN RETAIL INDUSTRY

4.1 Introduction

This chapter discusses the growth, challenges and opportunities of Indian retail industry. The main objective of this chapter is to discuss the current scenario of retail industry and studies related to constructs used in this research with reference to Indian retail industry. This research tried to fill the research gap related to retail industry in India. This chapter also discusses the retail sector as potential sector, which can contribute in Indian GDP.

4.2 Indian Retail

The retail sector of India has emerged as one of the most vibrant and rapidity growing industries due to the ingress of numerous new companies. The Indian retail contributed over 10 percent of the country’s Gross Domestic Product (GDP) and approximately 8 per cent of the employment [ASSOCHAM (2015)]. As market potential, India ranked seventh largest global destination in the retail space. According to Global Retail Development Index (2013) (GRDI) India ranked as the 14th most attractive country for retail investment among 30 emerging markets in globe. The retail industry of India is progressively crawling towards becoming the next boom industry. The concept of shopping has changed drastically from previous few years in terms of merchandising and consumer buying behavior, accompanying revolution in Indian shopping pattern. Modern retailing has marked his entrance into the Retail sector in India in the form of big shopping centers, multi-storied malls and the enormous complexes that offer shopping, entertainment and food.

A huge base of young working population with average age of approximately 24 years, increasing nuclear family structure in urban areas, increasing women population and budding opportunities in Indian services sector are the key factors in the development of the organized retail sector in India. The increasing growth pattern in retailing and buying behavior of Indian population attract new companies to enter into this huge prospective sector.
The huge middle class population in India and its almost unexplored retail sector are the key striking factors for global retail players who are searching for the new markets, which consequently help the Indian retail industry to mature faster. Indian retail is predicted to grow 25 per cent annually. Modern Indian retail sector forecasted of worth US$ 175-200 billion by 2016. The shopping basket has been enriched by food retail industry in India. The Indian smart/mobile phone retail industry is captured US$ 16.7 billion business, increasing at over 20 per cent per year. The future of the Indian retail industry appears promising with the Indian growing market with an addition of government policies and the new emerging technologies for facilitating operations making retail industry more dynamic.

4.2.1 Market Size

Market of Indian retail predicted to nearly double to US$ 1 trillion by 2020 from US$ 600 billion in 2015. The growth driving factors, which made retail sector more attractive, are income growth, urbanization and change in purchasing behavior. Whereas the overall retail industry is expected to grow at 12 per cent per annum, modern trade would grow at 20 per cent per annum and traditional trade at 10 per cent per annum [Boston Consulting Group and Retailers Association of India (2015)]

![Figure 4.1: Market size pattern](image)

A new threat to organized Indian retail industry is from Business to Business (B2B) e-commerce market which is expected to achieve US$ 700 billion by 2020 whereas the
Business to Consumer (B2C) e-commerce market is expected to reach US$ 102 billion by 2020 [Confederation of Indian Industry (CII) and Deloitte Touche Tohmatsu India (2015)]. In next five years, online retail is expected to be at equivalence with the physical stores.

4.2.2 Investments Scenario

According to the Department of Industrial Policies and Promotion (DIPP), the Indian retail sector has received total US$ 537.61 million as Foreign Direct Investment (FDI) equity during April 2000–March 2016. There are different investment plans by different companies which drive the growth prospects of retail industry for example, International Finance Corporation (IFC), the investment division of The World Bank, plans to spend up to Rs 134 crore (US$ 19.86 million) in Kishore Biyani's Future Consumer Enterprises Ltd. The world’s largest furniture retailer, IKEA plans to invest Rs 10,500 crore (US$ 1.56 billion) to set up 25 stores across India, over 15,000 permanent employees and 37,500 temporary employees will be recruited for its stores. Adidas AG, renowned for its Adidas and Reebok sports brands, has become the first ever foreign sports company to get government approval to open 100 per cent foreign-owned stores in India. Walmart, India has planned to open 50 more cash-and-carry stores in India over the next four to five years. Aditya Birla Retail, Aditya Birla Group which is fourth-largest supermarket retailer in the country worth of US$ 40 billion acquired total jubilant retail hypermarkets. The top 10 retail brands are represented in Table 4.1 [Jaideep (2015)].

Table 4.1: Top Ten Retail Companies in India

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Retail</th>
<th>Founded Company</th>
<th>No. of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shoppers’ Stop</td>
<td>K. Raheja group of companies</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Westside/Trent</td>
<td>Tata Group</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Pantaloons Retail (India) Limited</td>
<td>Future Group</td>
<td>140</td>
</tr>
<tr>
<td>4</td>
<td>Lifestyle International</td>
<td>Landmark Group</td>
<td>43</td>
</tr>
<tr>
<td>5</td>
<td>RPG Retail</td>
<td>RP Goenka Group</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>Crossword</td>
<td>K. Raheja group of companies</td>
<td>NA</td>
</tr>
<tr>
<td>7</td>
<td>Wills Lifestyle</td>
<td>ITC</td>
<td>125</td>
</tr>
<tr>
<td>8</td>
<td>Globus</td>
<td>Rajan Raheja Group</td>
<td>100</td>
</tr>
<tr>
<td>9</td>
<td>Piramals</td>
<td>Nicholas Piramal</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>Ebony</td>
<td>Ebony Retail Holdings Ltd</td>
<td>NA</td>
</tr>
</tbody>
</table>
4.2.3 Indian Government Initiatives

The government of India has taken several initiatives to improve the retail business climate in India.

a) Government of India has allowed 100 percent Foreign Direct Investment (FDI) in goods and services online retail through the automatic route, which also provides clarity on the existing business model of e-commerce companies who are operating in India.

b) Government of India approved 100% FDI in aviation and food, made easier norms for defence, pharmaceutical and single-brand retail. "India is now the most open economy in the world for foreign direct investment" [Economic Times (2016)].

c) The Government of Andhra Pradesh signed agreements gas with Walmart India, Future Group, Arvind Lifestyle Brands Ltd and Spencer’s Retail, worth Rs 1,500 crore (US$ 222.36 million) in a wide range of sectors including retail and steel during the Partnership Summit in Visakhapatnam, while also unveiling a retail policy aimed to attract retail businesses to invest in the state.

d) IKEA, the world’s largest furniture retailer, purchased its first land in Hyderabad, India. It is basically the joint capital of Telangana and Andhra Pradesh government, for building a retail store. IKEA have standard design for their retail outlets and each location requires an investment of around Rs 500–600 crore (US$ 74–89 million).

e) Recently, the Government of India has accepted the changes proposed by RajyaSabha committee to the bill introducing Goods and Services Tax (GST). Implementation of GST is expected to facilitate easier movement of goods across the country, which improves the retail operations for pan-India retailers.

4.2.4 Challenges and Opportunities

One of the McKinsey study claimed that retail productivity in India is very low compared to international peer measures. The labour productivity in Indian retail was just 6% of the labour productivity in United States in 2010. Labour productivity in food retailing is about 5% compared to Brazil's 14%; while India's labour productivity in non-food retailing is about 8% compared to Poland's 25%.

The employment in retail including both organized and unorganized which account for about 10% of Indian labour work force currently - most of which is unorganized. India is about third level after United States and Europe and half of the level as compared to
other emerging economies. If the expansion occurs of retail sector to the levels and productivity similar to other emerging economies and developed economies such as the United States would create over 50 million jobs in India. Therefore, to provide skilled manpower, training and development of labour and management for higher retail productivity is expected to be a challenge [Retail scenario in India (2016)].

The opportunities are emerging for manufacturers and service providers in cosmopolitan markets can deliver enhanced valued services to the customers through retail. For example, in Bata, Liberty, Pantaloons, Shopper Stops and Apollo Hospital’s Apollo pharmacies, etc. to name a few, where manufacturers/service providers coalesce their own products or services and sale them through retail format with value added services. Nest challenge is rural retailing. There is a huge potential in rural retailing, but due to difficulties, it is yet to be explore by companies. Only innovative concepts and business models will survive at this competitive market. However, different manufacturers and service providers will also like to increase the specialist retails, which are equipped with modern retail management techniques, supported with apparently unlimited financial resources. Organized retail appears inevitable.

4.2.5 Classification of Retail Formats

Retailing is a package of actions which related to the sale of products and services to the potential customer. Market research done by companies to identify the customer approach towards their products or services but the customer’s real buying behavior will be displayed in retail at the time of purchasing any product. It is a colossal managerial challenge for any company or owner to sprint a retail operation. Efficient marketing and operational skills are required to operate a retail outlet. Retail employees require empathy to understand customer’s necessities and at the same time employees should be indifferent enough to handle resentment of the customers.

There are different types of retail formats like discount stores, supermarkets, convenience stores, department stores, etc. These retail outlet formats differ from each other on the basis of their product hodgepodge (product depth and width), price and location.
a) Product Factors: - As shown in Figure 4.2, product factor are the retail formats where the number of products sold by the retailer and the range of products in each category. Product actors are further classified in three different formats as;

I. Narrow and Deep product assortment: - This kind of store format has one product category or a very narrow range related products. However, the store has large inventory of these products. The variety available according to the products in this store format is unmatched and becomes a competitive criterion among these stores. These stores are also called as specialty stores. Either the price range in these stores could be narrow, which positioning to a specific market segment, or it could be wide covering a large number of segments. Product categories in which this format is popular are footwear, clothing, furniture and furnishing.

II. Wide and Shallow product assortment: - The store has numerous product ranges, but limited inventory of these products. The store usually stocks related products, for example, lifestyle goods for the whole family that include clothes, books, home decor, jewellry, cosmetics, accessories, stationery, toys, etc. In India, Ebony Shopper’s Stop can be one of the examples of this store format. This kind of store format is gaining broad recognition in India as the store treated as one-stop-shop for the whole family. Generally, such stores are also having food joints and entertainment plazas that provide an ideal day out for the family.
III. Hypermarkets: - The development of hypermarkets has resulted in wider and deeper product varieties for customers. This kind of retail formats are having very large retail spaces, which are leased out to various company brands. These huge retail formats accompanied many single brand stores in different product categories. This store with different product range expresses the width of the product categories.

b) Location Factors: - Location factor store format are basically depend on the locations. In other words, the success of this kind of stores is the proximity of the customers. These stores operate in those areas where the customers give preference to location convenience. The products, which are urgently required, like medicines, grocery items, vegetables and fruits.

c) Price Factors: - Pricing of the products can differentiate the type of stores. Some stores charge on the basis of maximum retail price (MRP) of the products and some stores give discount on the regular priced products. Retail stores that offer products on the MRP price and don’t give discounts are engage in offers and promotions. This discount stores offers discount by different strategies such as bulk buying, accepting low margins, managing costs tightly and selecting locations where real estate prices are low. These discount stores will get price concessions from manufacturers after negotiation as they get bulk orders from these stores.

There are other classifications, which were given by various authors. For example according to Berman and Evans (2007) retail stores format was classified as depicted in Figure 4.3.

![Retail Format Diagram]

Figure 4.3: Berman and Evans (2007) Classification of Retail Format
According to Berman and Evans (2007) retail stores are classified in three types i.e. store based retailing, non store retailing and service retailing. Store based retailing are further classified in two types such as form of ownership and merchandised stores and direct selling, direct marketing etc. can be done in non store based retailing, whereas service retailing is to provide services for banks and car rentals.

Merchandising at retail store level, refers to the variety of products for sale in such a way in which it stimulates the buyer to purchase a product through various displays in the store. Merchandising retail was further classified in various retail store formats, which are represented in Figure 4.4.

**Figure 4.4**: Classification of Retail stores

### 4.3 Ethics in Retail

The present time can be referred as ‘ethics era’ [Smith (1995)] because ethics is the important tool to regulate the rules and protect the society. An organization aimed for earning revenues, which involves a many stakeholders of different expectations [Reynolds et al. (2006)]. The ultimate objective of an organization is to earn profit with satisfying the expectations of stakeholders in a truthful manner [Kaptein (2008)]. The organizations, which act ethically, benefitted by sales volume, profitability and strong image, with growing sustainable market, share [Lavorata and Pontier (2005)]. In contrast, organizations, which are unfair or unethical practices, diminish their brand image, profitability [Orlitzky et al. (2003)] and credibility, even sometimes the survival of the business is on stake [Grant and Visconti (2006)]. Furthermore, in the modern competitive and complex business environment, business ethics serves as a corporate strategy to beat the competition [Behnam and Rasche (2009)]. Marketing and specifically retailing often
criticized due to unfair and unethical practices [Bone and Corey (2006)]. The retailers are morally obligated to act ethically with their various stakeholders like consumers, employees, vendors, financers, government agencies and society [Whysall (2000)]. Generally, consumers and other stakeholder perceived that organization is indulged in unethical practices or they have been treated unethically. The media has highlighted the unfair business practices and scandals which confirm that organization do unethical practices to achieve their objectives [Berman and Evans (2007, P.44)]. On the contrary, the organizations and retailers claim for doing fair and ethical practices. Therefore, it has been observed that there might be difference in the perceptions of retailers and consumers.

Ethics in retailing evolves from the concept of marketing. Whereas, the concept of marketing not only starts and ends with the consumer, but actually gyrate around the consumer only, representing that the consumer is the center around which all other marketing activities to be done. The endeavor of the good marketer is not only selling of a product or services, but also to satisfy the consumer and other stakeholders [Fassin (2009)].

With the context of the retailers, as being the last point in the distribution chain [Cox and Brittain (2006)], are in direct and regular contact with consumers. The behavior of retailers is more important than other intermediate agencies because the retailers are the ones who can affect the consumers directly [Abratt et al. (1999)]. From the last few years, retail sector is growing with the increase in consumer’s disposable income, high purchasing behavior and change in consumer’s needs and preferences [Bajaj et al. (2007), Nicholls (2002)].

There are numerous studies conducted on business ethics. However the focus of previous studies progressively remained on the business areas such as advertising, consumer ethics in general marketing research etc., therefore, there is a paucity of research on retailing practices. Previous study reported that there are 14 personality traits out of 40 which are significantly related to consumer ethical beliefs [Rallapalli et al. (1994)]. The relationship between ethical beliefs, ethical ideologies and degree of Machiavellianism (egoism) of consumers from two different countries significantly differed [Rawass et al. (1994)]. The sales employees were more likely to perform unethical practices as compared to managers and executives with respect to both work related and customer related factors [Abratt et al. (1999)]. Retail employees did face ethical dilemma while dealing with different stakeholders [Sarma (2007)]. Honeycutt et al. (2001) found age was significantly correlated while education was insignificantly associated with ethical behaviour. McLaren (2000) also reported that individual factors such as gender, age, education and training,
personal values and ethical perspective leads to unethical behavior. Whereas, some researchers stated that organizational factors such as, selling role and organizational offering, job tenure and professional background, income and competition, supervision discipline, reward and punishment leads to immoral conduct [Abratt and Penman (2002)]. In terms of ethical ideologies in retail context, relativism was not related with ethical retail practices while idealism was negatively related with retail sales employee’s attitude [Dubinsky et al. (2004)]. Previous studies recommended that retail managers should provide training to their sales employees and set an example of ethical model to their sales employees. The ethics must be integrated into the marketing strategies of the retailers [Lavorata and Pontier (2005)]. It was found that there was relationship between the salesperson’s perceptions towards ethical behavior and resulted into its job satisfaction and turnover intentions [Pettijohn et al. (2007)].

Previously, lot many studies reported ethical dilemma situations in organizations such as employee discrimination [Trevino and Nelson (1995)], gender discrimination [Wiley (1998)] and sexual harassment [Wiley (1998)]. Furthermore, it was found that there are ethical issues erupted from various other sources as immediate supervisor’s role, employee’s unfair workload, pressure to meet impractical revenue targets [American Management Association (2006)] and code of ethics [Adams et al. (2001)] not properly devised, are some of the factors which coerce employees to compromise on their ethical standards.

4.4 Job Stress in Retail

It is obvious that retail employees affect the retail productivity. To influence the employee’s attitude, their behavior and customers perceptions towards the retailers, retailer service providers change the work setting, resulting in conflict and ambiguity. Like other intermediary service provider who work between customer and employers, retail service providers are likely to experience significant stress [Singh et al. (1994)].

Retail food employees have been found specifically experienced high levels of stress [Stern (1993)]. Their job requirement is to perform accurately during the period of high workload and resolving the often-conflicting demands of managers and customers. In India, retail has been considered as highly vulnerable to stress, among different industry. According to Sanjay Jog (Human Resource, Head, Future Group), the attrition rate in retail industry is 30-35 per cent. It is due to the physical efforts involved in retail jobs, always happy emotions has to be depicted, retail job is reaction dependent by customers and the business is mainly transactional. In a survey conducted by Tata Consultancy Services and
the Retailers Association of India (RAI) in between 2014 -15, thirty four retailers found that customer service and time management are the two major sources of stress in retail employees. Studies that have investigated the stress in retail customer service due to time pressure mostly occurred from insufficient staffing and demanding supervisors resulted in dissatisfaction among retail employees [St-Vincent et al (2006)]. Serving difficult customers (‘‘nasty’’, hostile, restless, demanding) is another source of stress and dissatisfaction for retail employees [Zackos et al. (1998)]. Attitude of the supervisor can also be one of the sources of stress. It has been noticed that supervisor always demand for higher level of customer service with consuming less time, which always create a pressure on the retail employees. Due to the demanding nature of supervisors, younger aged employees are frightened to approach their managers with problems. Some younger employees are even scared of being reprimanded or fired if they do not comply with their supervisor’s order [Zackos et al. (1998)]. High psychological demand by the supervisors (Karasek’s model) has shown the strongest relationship with burnout in the retail sector, resulted in interpersonal conflicts with co-workers or superiors, and low job control [Tuuli and Karisalmi (1999)]. Besides interpersonal conflicts, squander of time, efforts and work overload are the other major sources of stress for retail sales personnel [Narayanan et al. (1999)].

Retail Industry is dominated by youth in India. Old aged employees experienced certain kind of stress to match with the dynamism of the industry. This dynamism and youthful of the industry have created an extra pressure on the supervisors to work for long hours. The working of long hours with customer service orientation creates frustration, which resulted into stress. Due to change in customer buying behavioral pattern, retailers also have to change the roles and responsibilities of the employees, which creates an issue for the managers to appraise the employee’s performance. In retail, there are other problems, which increase the stress level of the employees such as career growth, gender discrimination and income growth. In retail industry, some female managers believed that retail dominated by male while some male managers acknowledged that there is a need for women managers to counterbalance the changing culture.

4.5 Job Satisfaction in Retail

Job satisfaction is one of the organizational outcomes, and most studied topic in organizational behavior. Studies on retail sector are noticeably inadequate especially in India. Therefore, literature related to job satisfaction has been found in different sectors.
It was established that the incentives are positively associated with job satisfaction in sugar cane factory workers of Uttar Pradesh [Paliwal (1969)]. Satisfaction is a positive and pleasurable feeling occurs from the fulfillment of the need of an individuals. Desire of an employee will be satisfied by different sources such as income, social status, security, incentive and social support. Job satisfaction is very useful for creating a positive and healthy organizational climate.

The retail environment is mainly suitable for investigating employee attitudes and job outcomes. Retail employees work in a setting where both internal (i.e., employee-employer; employee-employee) and external (employee-customer) boundaries are experienced simultaneously. Thus, from an organizational behavior point of view, retail employees are similar to employees in other “boundary spanning” occupations. The perception towards work environment comes under the umbrella of emotional cognitions based on their nature in appraising the workplace environment is beneficial or detrimental to employee’s personal well-being [Lazarus (1984)].

These variables are sometimes named as psychological or organizational “climate” factor variables and are defined as “meaningful interpretations of a work environment by the people in it . . . [that] are somewhat unique to different individuals” [Kopelman et.al. (1990)]. Employees intrinsically examine their work environments with these dimensions in evaluating their own work-related well-being. A supportive work environment is differentiated by employee perceptions towards their co-workers who are highly involved in their work and their supervisor’s support to facilitate employee’s work efforts. Generally, supportive work environments are related with improved employees attitudes and more productive behaviors [Day and Bedeian (1991)]. Specifically, prior research reported that a supportive workplace reduces role stress and its negative consequences [Schaubroeck et al. (1988)]. This research investigate the supportive retail work environments as characterized by employee perceptions along the interrelated dimensions of nature of the work, supervisor support, coworker support, pay, promotion and job situation. Each dimensions and its role was investigated which influences the performance and satisfaction of retail employees are discussed in coming chapters.

4.6 Turnover intention in Retail

High employee turnover rate in developed countries and in developing countries has increasingly been a point of concern for practitioners and academicians. The issue was grounded on the statistics fact of turnover. In America, employee turnover has become one of the national workplace crises. The overall number of voluntary turnover (measure of
worker’s willingness or ability to change jobs) was 2.1 million in April 2012, up from 1.8 million at the end of the recession in June 2009 [Bureau of Labor Statistic (2012)]. In 2007, average employee turnover rate in India was reported in Figure 4.5 as approximately 33% [Quality India (2009)].

From the human resource management perspective, high attrition rate is a serious issue due to several reasons. First, high attrition have financial effects on the organizations. Employees quitting from the current job, is basically organization is not able to retain skilled employee, in which training and recruitment cost was already invested. In addition, new recruitment, selection and training required for new employee. Replacing a full-time, private-sector worker may likely to cost 25% of his or her total annual compensation [Kenny (2007)]. Second, employee turnover will affect the organization’s productivity and performance. High turnover also promote a negative workplace culture therefore goodwill of the company will affect. Organizations, which are not able to control or reduce the attrition rate, consequently company will likely lose their competitiveness in the long term [Ismail and Lim (2007)]. Due to these negative consequences, it becomes crucial for the organizations to understand better the factors contributing to employee turnover in organizations.

Researchers have consistently viewed turnover intention as the most significant variable in predicting employee turnover [Bigliardi et al. (2005)]. Previous study found that individual’s turnover intentions matched with their actual turnover behavior [Tian-
According to Chiu and Francesco (2003), intentions provide a significant explanation of turnover due to it consist of one’s perception and judgment.

Previous many studies conducted amongst the employees in the western countries consistently reported negative and significant relationship between job satisfaction and turnover intention [Mowday et al. (2013), Griffeth et al. (2000), Ostroff (1992)]. Similarly, some studies conducted in the Eastern countries, for example in China also supported the consistent findings that negative association between job satisfaction and turnover intention among employees [Tzeng (2002), Jiang (2009)]. Therefore, it can be concluded that turnover intention is negatively associated with job satisfaction. Thus, it becomes important to find the job satisfaction factors, which can lead to turnover intentions.

4.7 Conclusion

In this chapter, the construct used in this research was reviewed. At the starting of the chapter the scenario of Indian retail industry, Indian market size, government initiatives, their challenges and opportunity in Indian market has been discussed. The classification of the retail format applicable in Indian context was reported briefly. This chapter entails to describe the retail environment in India. Later this chapter discussed the ethics, job stress, job satisfaction and turnover intention according to the literature available with regards to retail settings.