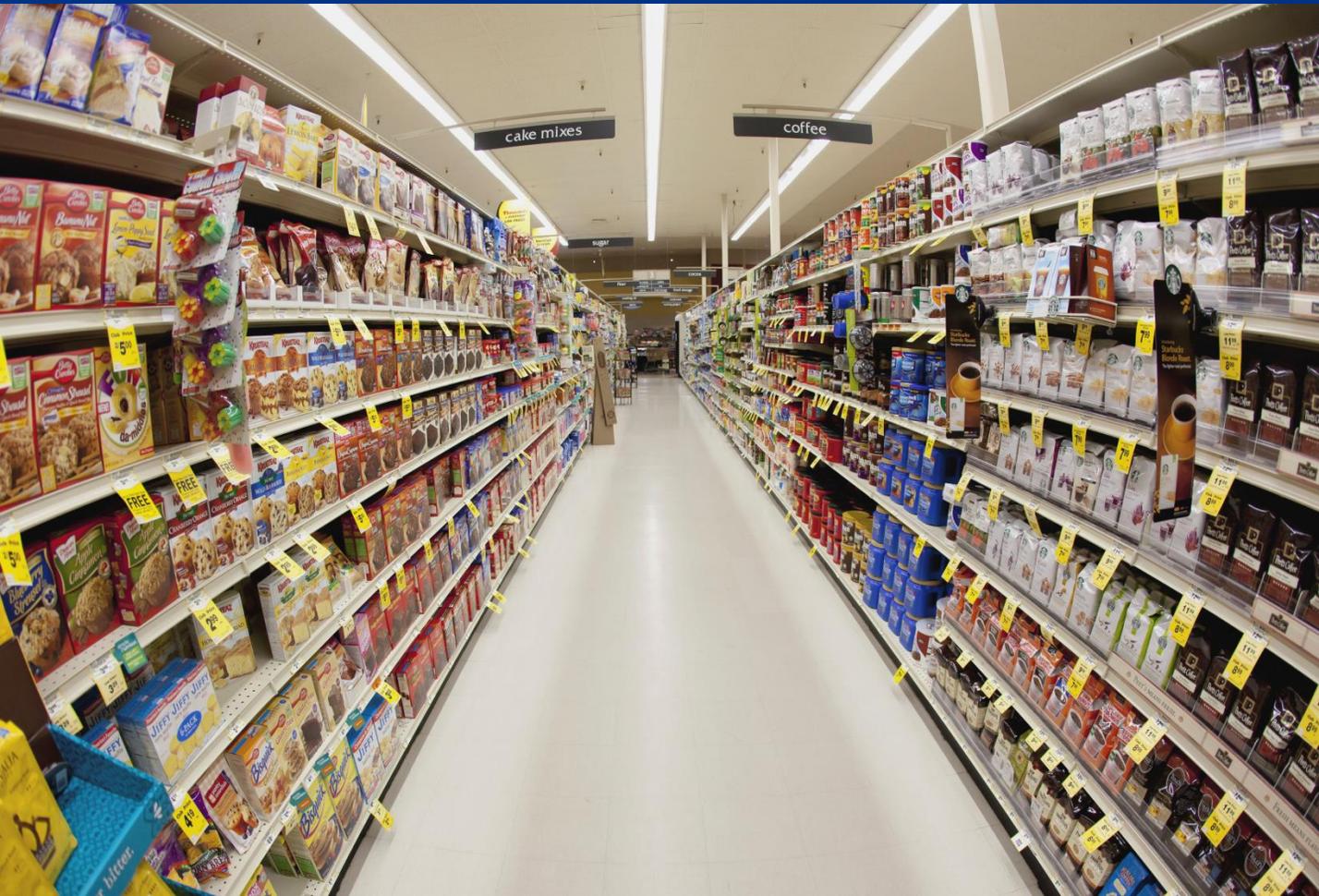


Human Resource and Skill Requirements in the Retail Sector

Executive Summary



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Industry Overview

Indian Retail industry estimated at US\$435 billion is expected to witness a CAGR of 18.1 percent over the next 4-5 years and reach US\$ 848 billion.

Key Growth Drivers

- Indian retail industry has been growing at a steady pace fuelled by factors like changing lifestyles, rising disposable incomes, favorable demographics, and easy credit availability.
- The retail sector contributes to 23% of the GDP, which is driven by an increasing Private Final Consumption Expenditure (PFCE) over the last few years growing from INR 19 Lakh Crores in 2005 to around INR 51 Lakh Crores in 2012.
- In terms of Foreign Direct Investment (FDI) – cumulative value of retail sector has more than doubled driven by liberalization in single brand retail norms growing
- Organized Retail is no more an urban phenomenon. It is estimated that tier 2 and smaller cities will evolve fast to constitute majority share of the organized retail in coming years.

India's Competitive Advantage

Growing domestic demand

- Demand growth in retail sector has been rising due to rising incomes, growing purchasing power and increasing urbanization, implying higher consumption at retail level.

Supply factors

- increase in discretionary spending among people and increase in proportion of working women.
- Increase number of Foreign retailers setting up in India in the recent past

Policy support

- FDI up to 100 per cent in single brand retail and 51 percent in multi-brand retail is likely to attract several global retailers in India
- Introduction of Goods and Service Tax (GST) as a single unified tax system would further favor the retail business environment

Investments in the sector

Richemont

- Luxury player Compagnie Financiere Richemont SA is also planning to enter India and has applied for approval in January 2014.
- The company plans to invest INR 30.54 Crores in the first phase of entry in India

Forever 21

- The US apparel retailer is planning to invest in opening close to 35 stores by 2018 in India. For this, it plans to invest INR 305.42 Crores over the next few years.

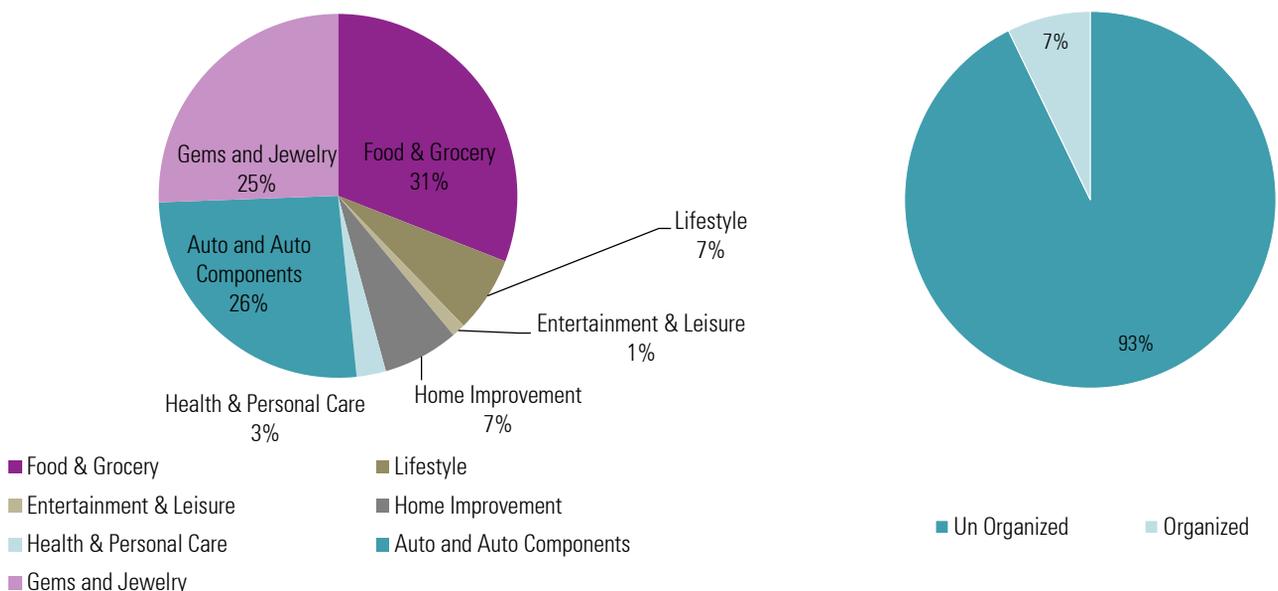
Sources: KPMG in India analysis

Demographic characteristics of workforce

Organized retail is projected to grow at ~29 CAGR with an increase in penetration of organized players from 7.7 to 11 percent of total retail sector

- As per National Sample Survey (NSS) 68th round survey, the distribution of workforce in the industry is concentrated with top five states (Uttar Pradesh, Maharashtra, Andhra Pradesh, West Bengal and Tamil Nadu) accounting for over 45 percent of the employment.
- These states are major consumption centers and home to India's largest cities
- Metropolitan cities are nucleus of retail industry in each of these states and are the major consumption hubs as shown in the table.
- These cities continue to be the preferred destinations of major retail brands (and hence major employers of workforce) for establishing foothold in India and expanding onto smaller cities.
- Attrition rate of female employees tends to be lesser than their male counterparts. Gender composition is controlled by labor laws.

Share of employment in the Indian retail industry



Sources: Industry Interactions; KPMG in India analysis

Incremental Human Resource Requirement (2013-22)

Employment base of the industry expected to reach ~56 million by 2022 across conventional and specialized Retail segments

Sub Sector	Employment (in Million)			Employment Growth 2013-17	Employment Growth 2017-22	Employment Growth 2013-22
	2013	2017	2022	(In millions)	(In millions)	(In millions)
Food & Grocery	19.6	21.36	24.44	1.76	3.08	4.81
Health & Personal Care	1.7	1.86	2.28	0.16	0.42	0.58
Home Improvements	4.4	5.11	6.63	0.71	1.52	2.23
Leisure	0.8	0.84	0.92	0.04	0.08	0.12
Lifestyle	4.5	5.17	6.10	0.67	0.93	1.60
Auto Sales	1.5	1.68	1.95	0.18	0.27	0.45
Jewellery Retail	1.5	2.04	3.14	0.54	1.10	1.64
Food Services	4.6	7.05	10.49	2.45	3.44	5.89
Total	38.6	45.11	55.95	6.51	10.84	17.35

Changing skill set requirements

Job Roles	Representative Skill Gaps
Customer Service Associate	Inadequate product knowledge, resulting in little or no support to customers in purchase Poor customer service orientation, Poor numeracy skills, often in combination with lack of computer knowledge, Inadequate grooming and hygiene
After-sales Service Associate	Inadequate communication skills, with ineffective demonstration and marketing of products, Poor customer empathy, with weak after-sales support and customer feedback mechanism, Poor adaptation to changing technologies, hindering marketing via digital media, etc..
Cashier	Inadequate operational knowledge of POS terminal and payment processing, hindering speedy transactions, Inadequate book-keeping/ accounting skills, Inadequate product knowledge, hindering speedy processing/ scanning
Supervisor, Assistant Departmental Manager, Departmental Manager	Inadequate communication, people management and leadership skills, Inadequate co-ordination skills, especially during peak seasons or high attrition periods, Poor grievance handling skills

While lack of premium attached to skills still remains a challenge in the sector, policy impetus is driving the focus on training

- Shortage of trained manpower at various levels and lack of retail training institutes have prompted several retailers to launch in-house training programs for their staff or setup their own training facilities in India.
- Since educational qualifications are not aligned to retail requirements, even at entry level, the retailers have to invest a lot in training the entry level employees as well.
- Training may vary from a zero (on the job) to a few days (typically for generalists in segments such as food and grocery) to weeks (for specialists in segments such as high end lifestyle brands).
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Training Providers for Retail

Institute of Hotel Management, Pusa (IHM, Pusa)	Indian Institute of Job Training (IIJT)
National Institute of Open Schooling (NIOS)	Managérial Excellence Resource Centre (MERC)
Indian Institute of Skills Development (IISD)	Pearl Academy of Fashion (PAF)
CII Institute of Logistics	Livelihood Advancement Business School (LABS)
National Institute of Retail Management (NIRM)	Indian Retail School (IRS)
Indira Gandhi National Open University (IGNOU)	Retail Association of India (RAI)

Challenges associated with training institutes

Little or no premium attached to skills and training

- Most players prefer training their workforce in-house and there is little or no premium attached to trained manpower. Untrained people and trained people are paid at par. Some of the companies do not pick trained people to save on the sourcing cost which is close to 8 -10 percent charged by the consultants. This hampers mobilization of students to train in this sector.

Lack of standardized certifications

- Because of non-existence of any accreditation agency, a standard certification hasn't emerged yet. With next leg of growth expected from tier-2/3/4, cities, industry may have to adopt more organized channels of recruitment such as staffing and training companies as these cities have relatively low levels of skilled employees.

Lack of awareness about expectations from the job

- Training Partners are to provide a realistic value proposition and counseling on the job requirement so that attrition may be arrested the reason for which has been often observed to be a mismatch in aspirations and reality as regards physical work and pay.

Recommendation	Implications
<p>Provide long term benefits to formalize the employment and to reduce attrition at various levels</p>	<ul style="list-style-type: none"> ▪ Design long term employment benefit schemes for employees to ensure job continuity and reduce attrition ▪ One of the key benefits that employees look for is training by the employers which is valid throughout the industry. Industry should formalize their in-house training and align it with SSC's standards & certification process ▪ Medical Insurance is the amongst the most desired benefits by the employees. If not for private insurance, employers should proactively support government insurance schemes covering life and health
<p>Introduction of retail courses to train individuals through self help groups</p>	<ul style="list-style-type: none"> ▪ Awareness needs to be created amongst the school students and self-help groups through vocational education in the sector during middle school education (standard 8 and above) creating awareness of opportunities in the sector ▪ The government must encourage retail vocational courses among tier 2 and tier 3 cities to encourage more individuals to take up formalized training
<p>Need to introduce domain specific training and standardize the curriculum in line with NSQF levels</p>	<ul style="list-style-type: none"> ▪ Curriculum for providing training to specific roles need to be aligned to the NSQF levels. ▪ This would aid standardization and easy transfer of training credit and acceptance across industry
<p>Align captive training initiatives with SSC Assessment and Certification</p>	<ul style="list-style-type: none"> ▪ Aligning captive training initiatives with Retail SSC's Assessment and Certification activity will provide a level playing platform for the candidates ▪ This will also lead to easy mobility between organizations, from an employee perspective
<p>Increase supply of quality trainers for the industry</p>	<ul style="list-style-type: none"> ▪ Introduce IT courses as a mandate or part of the program on full scale to meet the demand of different institutions ▪ Courses to be made more scientific and methodical with structured modules and clearly defined learning outcomes for the takers



cutting through complexity

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- Working closely with Central Govt., MoHRD, State Govts, Apex bodies and funding agencies
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