

A STUDY ON TRANSFORMING HR INTO A STRATEGIC BUSINESS PARTNER IN RETAIL INDUSTRY

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Abstract

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though in reality the retail industry in India was mostly unorganized, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. The Indian Retail Industry is expected to grow from US\$330 billion in 2007 to US\$640 billion by 2015. According to the 10th Annual Global Retail Development Index (GRDI) of A.T. Kearney, India is having a very strong growth fundamental base that's why Retail's the perfect time to enter into Indian Retail Market accounts for 22% of country's GDP and Retail contributes to 8% of the total employment.

Keyword: GRDI, Retail Industry, DIPP

Introduction

India's Retailing Boom has acquired further momentum, dynamism and vibrancy Retail international players experimenting in the Indian market and the country's existing giants taking bold innovative steps to woo the consumer. At the same time, the early entrants are redefining their strategies to stay competitive in the new market landscape Retailing is one of the pillars of the economy in India. Over the past few years, the retail sale in India is hovering around 33-35% of GDP as compare to 20% in the US. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. The industry is expected to grow at pace of 25-30% annually. The Indian retail industry is currently growing at a great pace and is expected to go up to US \$ 833 billion by the year 2013. In the last four years consumer spending in India has climbed up to 75%. In India though, organized retail accounts for app. 5-6% of total retail revenues, however, increasing disposable income, changing life styles and a robust economy India is set to emerge as one of the fastest growing organized retail markets in the world.

Growth of retail industry in India

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail

market is growing at 3.5 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. Retail is a huge industry in terms of size and according to management consulting firm Techno park Advisors Pvt. Ltd., Retail is valued at about US \$ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years.

According to the tenth report of GRDI of AT Kearney, India is having a very favourable retail environment and Retail is placed at 4th spot in the GRDI. The main reasons behind that is the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending. According to report, organized retail accounts for 7% of India's roughly \$435 billion retail market and is expected to reach 20% by 2020. Food accounts for 70% of Indian retail, but it remains under penetrated by organized. Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. A report by Boston Consulting Group has revealed that the country's organized retail is estimated at US \$ 28 billion with around 7% penetration. Retail is projected to become a US \$ 260 billion business over the next decade with around 21% penetration. The analysts believe that the sector is likely to show significant growth of over 9% over the next ten years and also see rapid development in organized retail format with proportion likely to reach more respectable 25% by 2018. The BMI India Report for the first quarter of 2012 released forecasts that total retail sales with growth from US \$ 422.09 billion in 2011 to US \$ 825.46 billion by 2015. The report highlights strongly underlying economic growth, population expansion, increasing disposable income and rapid emergence of organized retail infrastructure as major factors behind the forecast growth.

FDI POLICY IN RETAIL

Growing liberalization of the FDI policy in the past decade has been one of the key factors for transforming India from a closed economy into one of the favored destinations for foreign investments. The FDI policy governs and regulates the entire inflow of foreign investments into the country.

The government is considering in allowing foreign direct investment in multi brand retailing as a measure to make India more attractive to overseas investors. The proposal, piloted by the Department of Industrial Policy and Promotion (DIPP) is currently at the discussion stage and is awaiting government clearance. Liberalization of FDI in multi brand retail is getting closer to reality. After almost a year of deliberation, the whole paper published by the DIPP\ Ministry of Commerce and Industry, a retail FDI draft document has been submitted to the Union Cabinet for approval. This is the final hurdle that needs to be surpassed. One aspect seems to be clear that will be no one shot, big-bang kind of approach toward introducing FDI in multi brand retail. Instead, we could expect a phased liberalization approach with a number of conditions laid down,

at least initially, for foreign retailers to enter India. The conditions would be intended to assure the opposition parties, the local retailer lobbies, the farmer and trade union etc. that the government has adopted a balanced midway' kind of approach after due consideration of the views of all stakeholders involved.

Challenges Faced by the Retail Industry:

International Standards: Even though India has well over 5 million retail outlets of different sizes and styles, Retail still has a long way to go before Retail can truly have a retail industry at par with International standards. This is where Indian companies and International brands have a huge role to play.

Inefficient supply chain management: Indian retailing is still dominated by the unorganized sector and there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain management, which in turn would bring down inventory cost, which can then be passed on to the consumer in the form of low pricing.

Lack of Retail space: Most of the retail outlets in India have outlets that are less than 500 square feet in area. This is very small by International Standards.

Cultural Diversity: India's huge size and socio economic and cultural diversity means there is no established model or consumption pattern throughout the country. Manufacturers and retailers will have to devise strategies for different sectors and segments which by self would be challenging.

Real estate issues: The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft (65,000,000 m²) as compared to today.

Future Prospects of Organized Retail Sector in India:

India has been ranked as the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm. AT Kearney's study on Global Retailing Trends Found that India is the least competitive as well as least saturated of all major Global markets. This implies that there are significantly low entry barriers for players trying to setup base in India, in terms of competitive landscape. The report further stated that Global Retailer such as Wal-Mart, Carrefour, Tesco and Casino would take advantage of more favorable FDI rules that are likely to be introduced in India. A good talent pool, unlimited opportunities, huge markets and availability of quality raw material at cheaper cost is expected to make India overtake the world best retail economies by 2042.

HR Management in retail organizations

Strategic human resource management is an informative process which is always developing and being

studied and talked about by academics and commentators. As mentioned by Wright & McMahan, SHRM refers to the pattern of planned human resource activities intended to enable an organization to achieve its goals. Human resource strategy is the result of a set of decisions a company makes about the humans with whom it does business. Human Resource Management is also a vital and absolute approach in controlling people and the workplace proficiency and environment.

A strategic path in Human Resource Management is essential especially in expanding companies. Just like in John Lewis focus more on providing good training to its staffs. It also empowers its staffs to make and take decisions. All feedbacks are positively sorted and management will try to help, support and facilitate those ideas. John Lewis always go to an extra miles for its customers and thus is by giving good training to their staffs. Its staffs are well aware and intelligent. They also have a good knowledge of product. It not only has great customer service in stores but in its online business as well. Human Resource management means not only developing the employees, but the entire organization itself. Human Resources include a broad range in management. A growing company depends on its existing success which can sustain and start developing its business with professional staff members. As demands increases, more labour force is needed to abide with them. The current labour force should be monitor but not only if they can adhere with the demand, but it has to make sure to maintain its quality and reputation. Bulk production should not make any difference to quality customer satisfaction and sale. The human resource actions are linked to the success of the organization's overall aims.

Conclusion

HR management practices are essential for growth and development in company and the sector. Retailers, especially organized retailers, are putting more Focus on HR management practices, including recruitment, selection and performance Evaluation, training and development, compensation, career planning, etc. In addition to this is what the industry faces with some problems in terms of their human resources: lack of skills, the lack of formal education in retail, the erosion of the workforce, the danger of poaching and complicated personal environment. This means that HRM in the organized retail needs more attention in the near future to do more competitive

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