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Human Resource and Skill Requirements in the Organised Retail Sector (2022) – A Report

Human Resource and Skill Requirements in the Organised Retail sector

Study on mapping of human resource skill gaps in India till 2022

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1. Environment Scanning and Competitiveness of Organised Retail

1.1. Overview

The Indian retail market has been ranked the second most attractive emerging market for investment after Vietnam[1]. The Indian retail industry is estimated to be worth Rs 13-14 lakh crore in FY 2008[2] . The Indian retail sector is highly fragmented in nature. The penetration of Organised Retail in the Indian market is much below the levels in other countries. Organised/Modern retailing refers to trading activities undertaken by licensed retailers and includes formats such as hypermarkets and supermarkets, and retail chains.

Organised Retail, valued at Rs 96,500 crore in 2008, accounts for around 5% of the total retail market. Organised Retail has been growing at an impressive rate of 35% to 40% Y-O-Y in the last few years compared to 9-10% growth in the overall retail industry. [3]

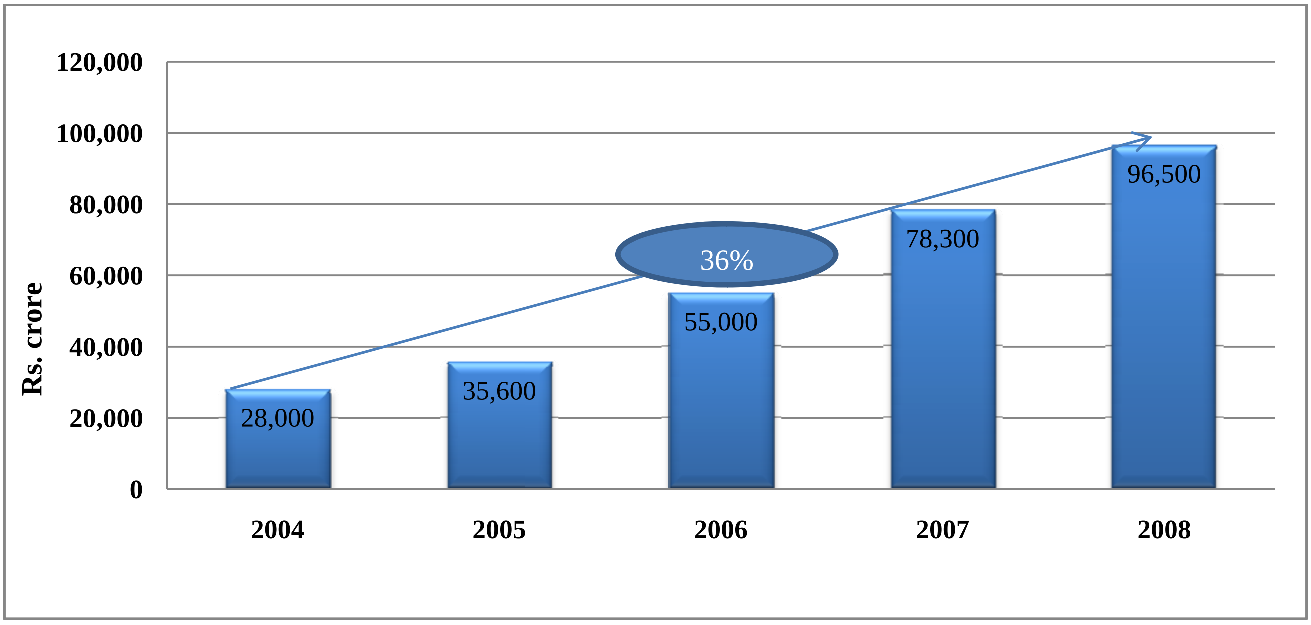
Traditional/unorganised retailing contributes to about 95% of total retail revenues. Traditional/unorganised retailing which involves the local kirana shops, paan /beedi shops, hand cart and pavement vendors, etc. continues to be the backbone of the Indian retail industry. India has one of the highest densities of shops per population with 1.5 crore[4] small retail outlets in India (14 shops per 1,000 people).

1.2.Industry size and Growth

The Organised Retail market stood at Rs.96, 500 crore in 2008. The industry has grown at a CAGR of 36% between 2004 and 2008. This growth was mainly driven by changing lifestyles, rising disposable incomes, favourable demographics, and easy credit availability, etc.

[1]AT Kearney's seventh annual Global Retail Development Index (GRDI), in 2008
[2] India Retail report 2009-IMAGES research
[3] India Retail report 2009-IMAGES research
[4] Indian Brand Equity Foundation

Figure 1: Industry size and growth of Organised Retail



Source: India Retail Report and IMaCS analysis

1.2.1. Segments based on products retailed

Categorisation based on type of products is more widely used to understand the Indian Organised Retail sector. These segments are the following.

- ***Clothing, Textiles & Fashion Accessories***
- ***Jewellery***
- ***Watches***
- ***Footwear***
- ***Health & Beauty Care Services***
- ***Pharmaceuticals***
- ***Consumer Durables, Home Appliances/equipments***
- ***Mobile handsets. Accessories & Services***
- ***Furnishings, Utensils, Furniture-Home & Office***
- ***Food & Grocery***
- ***Out-of-Home Food Services***
- ***Books, Music & Gifts***
- ***Entertainment***

Clothing & Textiles, Footwear, Consumer durables & Home appliances, Food & Grocery and Out-of-Home Food Services are the major retail categories which account for 76% of the Organised Retail market.

Figure 2: Share of various segments of Organised Retail

Consumption category	Share in Organised Retail	Extent of Penetration
Clothing, Textiles and Fashion Accessories	38%	23%
Food and Grocery	11%	1%
Footwear	10%	48%
Consumer Durables, Home Appliances and Equipments	9%	12%
Out of Home Food (catering) services	7%	8%
Furnishings, Utensils, Furniture - Home and Office	6%	11%
Mobile handsets, Accessories, and Services	3%	10%
Entertainment	3%	5%
Jewellery	3%	3%
Books, Music and Gifts	3%	13%
Watches	3%	49%
Pharmaceuticals	2%	3%
Health and Beauty Care Services	1%	14%

Source: Images Retail 2009 and IMaCS analysis

Clothing & Textiles:

Apparel and accessories retailing is the largest segment of Organised Retailing in India, constituting 38% of the total Organised Retail. The penetration of Organised Retail in the category is around 23%.

Major sub segments are based on Gender (Men & Women), Age (Kids, Infant), Use and occasion based (Formal, Casual, Bridal, Sportswear, Uniforms, etc). Most of the major sub segments have performed well on account of demographic, economic and social factors like high disposable incomes, more number of working women, young demography, etc

The share of clothing in the Private Final Consumption Expenditure (PFCE) has marginally reduced from 4% to 3.8% in FY 2008 as well as Y-O-Y growth in PFCE on clothing has also slowed down 6.5% in 2007-08.The Organised Retail segment has done well in the last few years despite of the aforementioned factors on account of consumers upgrading to premium brands. The premium range across apparel segments has shown the fastest growth in volume and value on account of rising aspirations as well as a growing willingness to pay a premium for quality.

Malls & Hypermarkets are likely to increase the penetration of organised apparel retailing in the country. Apparel makes up for a large proportion of total sales for hypermarket players such as Big Bazaar and Vishal Mega Mart.

This segment has attracted global players like Guess, Gas, Levi's, Benetton, Gucci, Marks and Spencer. Most of the global as well as Indian brands have adopted the franchisee route for expansion, due to the relatively lower level of investment involved. The major Indian players include Arvind Brands, ITC, Koutons, and Raymond.

Jewellery:

Jewellery accounts for 3% of the Organised Retail market and the penetration of Organised Retail is only 3%-4%. The growth in Organised Retail was 31% in 2007 as compared to a growth of 9.6% in the total retail market.

The two major segments of this sector in India are gold jewellery and diamonds. Gold jewellery forms around 80% of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamonds as well as gemstone studded jewellery.

The Indian gems and jewellery market continues to be dominated by the unorganised sector in the form of "Family jeweller". However, with the Indian consumer becoming more aware and quality conscious, branded jewellery is becoming very popular. This industry with a large number of retailers is expected to see larger players and consolidation growing forward.

Watches:

Watches accounted for 3% of the Organised Retail market and have the highest penetration of organised retail. The Indian watch industry is clocking double digit growth rates in the recent past which is in line with the growth of the economy. The growth in the luxury segments has been higher on account of increasing disposable incomes and watches being seen as more of a status symbol. The trend is in line with the global markets where the Swiss majors have been on a growth path and Japanese majors are seeing a flat top-line.The Indian watch market holds immense potential as the penetration levels of watches is very low in India, especially in the rural and semi urban areas.

Footwear:

India is the second largest manufacturer of footwear in the world, next only to China. The market size of footwear in India is 2.6-3[5] billion pairs per annum. The market size of the footwear industry in the top 20 cities in the country is estimated to be 10 crore pairs per annum[6]. Organised Retail has higher levels of penetration in footwear and the segment accounts for around 10 % of the total Organised Retail market.

The organised footwear retail market can be segmented based on utility - sports footwear, semi-formal/casual footwear and formal wear, as well based on gender/age - men, women & kids. The market is dominated by casual and sports wear which makes up nearly two-thirds of the total footwear retail market. The branded sports wear segment has been out performing rest of the segments and it is estimated to be worth Rs. 1,000 crore.

Health & Beauty Care Services:

The category includes health and beauty care services such as weight loss clinics, skin and hair treatment clinics, beauty parlours/saloons and spas and accounts for 1% of the Organised Retail market. This category comes under the realm of service retailing and involves human resource with specific skill sets. Beauty parlours and saloons are the major sub segments which are dominated by the unorganised segment.

Pharmaceuticals:

Pharma retail space is dominated by unorganised players “neighbourhood chemists” which are small family-owned stores measuring less than 250 sq. ft. The pharma market has around 800,000[7] retailers which indicate the scope of consolidation.

Pharmaceuticals retail accounts for 3% of the Organised Retail pie. About 2% of the pharma retail industry is now occupied by organised retailers such as Apollo Healthcare, Medicine Shoppe, and Guardian Pharmacy. Factors such as ambience, availability, reliability and quality of drugs, price discounts on account of economies of scale in procurement will help organised pharma retailers to garner a bigger share of the market.

Consumer Durables, Home Appliances/equipments:

The category consists of various white goods such as refrigerators, washing machines as well as electronic products (excluding mobile phones). Indian consumer durable industry is having significantly less penetration levels as compared to other countries in the world. As a result of this,

[5] Evaluation of human resource requirement for Indian leather garments, leather & non leather footwear-IMaCS
[6] India Retail Report 2009
[7] Mint News:” Pharma retail business set for a shake-up”

India is having enormous unrealised potential. The rural market is growing faster than the urban market, although the penetration level in rural area is much lower.

Split air-conditioners, frost-free refrigerators, fully automatic washing machines, microwave ovens, and high-end flat panel TVs are likely to have healthy growth rates. The colour televisions (CTV) segment is expected to be the largest contributing segment to the overall growth of the industry. The Indian middle class, defined by the National Council of Applied Economic Research (NCAER) as households with annual income of between Rs. 2.5 lakh and Rs. 5 lakh, has been driving the consumption of goods such as cars, refrigerators and colour TV sets. According to NCAER, such consumers, accounting for about 12% of the country's households, owned 60% air conditioners and 25% of all TV sets and refrigerators[8].

Many manufacturers of consumer durable goods are now tying up with retailers/distributors for providing solutions to the end-consumer more effectively. Organised Retail format is fast catching up in the country and would drive up sales of consumer durable goods by setting new formats such as multi-brand showrooms.

Mobile handsets, Accessories & Services:

The increasing penetrations of mobile phones have offered opportunities in handsets & accessories as well as recharge cards (in case of GSM phones) and repair service retailing.

India witnessed a growth of 25.5% in sales of mobile handsets during 2008 with 124 million devices sold compared to 98.8 million during 2007. [9] The number of mobile subscribers in India will touch 500 million by 2010, with growth in rural markets (B and C circles)[10] . The number of mobile phone retailers in India is expected reach 10 lakh by 2010.

This segment accounts for 3 % of the Organised Retail market. The market has seen the entry of large retail chains like Univercell, The Mobile Store, and Hotspot.

Furnishings, Utensils, Furniture-Home & Office:

This segment constitutes 6% of the Organised Retail market. The penetration of Organised Retail in the sector is more pronounced in the premium category like high end modular kitchens, designer furniture, bathroom accessories, etc. The major players in this segment include Godrej Lifespace, Fabindia, Home Town, Style Spa & Welspun.

[8] FY 2007-08
[9] The Economic Times, March 2009
[10] The Financial Express, Jan 2008

Economic development and easy credit availability have led to a boom in both in housing and commercial sector, fuelled the demand for furniture and furnishings. Social factors like young demography, nuclear families etc have also contributed to the same.

Food & Grocery:

Food and grocery, which is the largest segment of the total retail industry, is the second largest in the organised space accounting for 11.5% of the market. This segment holds the largest potential for Organised Retail.

The share of Organised Retail is more in case of dry groceries. The economies of scale allow the retailers to offer products at a cheaper rate to the very price sensitive Indian customers along with assortment of goods and the right ambience. The unorganised segment dominates the wet grocery segment. Unorganised supply chains and regulations (discussed in subsequent sections) are the key bottlenecks for organised retailers. The key players in this segment are Food Bazaar, Reliance Fresh, More, and Spencer's.

Out-of-Home Food Services:

This segment constitutes about 7% of the Organised Retail market. The key success factors for Organised Retailers are quality, ambience and differentiated product offerings. Lifestyle changes have led to people leading a fast pace life have led a spurt in number of restaurants, and fast food joints. "Eating out" as means of recreation has also caught up. Indians' taste buds are more than willing to taste international cuisines such as Chinese, Italian, Thai, and Mexican which offers a "change" from the traditional Indian cuisine. Most of the leading multinational foodservice chains such as Pizza Hut, McDonald's have adopted the franchising route to set-up their Indian operations. They have also adopted to the local taste preferences. Health consciousness is on the rise as more and more people suffer from obesity related problems, which is an important trend to watch out for.

Books, Music & Gifts:

This segment constituted 3% of the Organised Retail market with most of the penetration being limited to urban areas. Key players in this segment include Planet M, Music World, Landmark, Odyssey, Higginbothams and Archies. The differentiating factors for the organised formats are services include book reading sessions (for book retailing), ambience and wide assortment of goods. Marketing efforts like "Occasion Marketing" (Father's Day, Mother's Day etc) and brand building activities have contributed to the growth of Gift retailers. The segment is likely to be significantly impacted by the growth in internet usage and mobile phone penetration. Music downloads on phone/internet; e-tailers like Amazon are likely to offer stiff competition to the industry. Pirated books and music have always been a source of problem and will continue to be so in the near future.

1.2.2. Segments based on retail store formats

Organised Retail can be categorised by the type of products retailed as well as the by the different kind of formats. The major retail formats include the following:

Department store:

It represents retail outlets that stock a wide variety of merchandise ranging from apparel, toiletries, cosmetics, toys, and jewellery to appliances and furniture.

Supermarkets:

These are self service stores which offer a range of food and household articles. These stores generally occupy a larger area vis-a-vis the departmental stores. Nilgiri's was the first supermarket in India. Foodworld was the first chain of supermarkets in India offering a wide range of products that included fruits, vegetables, etc. Other supermarkets operating in India include Food Bazaar, Sabka Bazaar, Fabmall, Arambagh Food Mart, etc.

Hypermarket:

It has the features of both a supermarket and a department store. These stores operate on a very large scale. Some of the prominent hypermarkets include Big Bazaar (Pantaloon Retail), Star India Bazaar (Trent), Choupal Sagar (ITC), HyperCity (K Raheja Group), etc.

Speciality stores:

Speciality stores sell specific merchandise with focus on single/few categories. Planets M, Music World, Crossword etc. are among the leading speciality stores in India.

Convenience stores:

These stores are located at convenient locations like fuel stations and have flexible timings. My Mart, In & Out, Red Shop, DHL Service point, Touchworld and 24/7 are some of the players in this format.

Kiosks:

Kiosks are located in malls, multiplexes, railway stations, and airports where space is at a premium and mostly engage in selling consumer goods like edibles and snacks, newspapers and magazines, fashion accessories stores and entertainment.

Discount Stores:

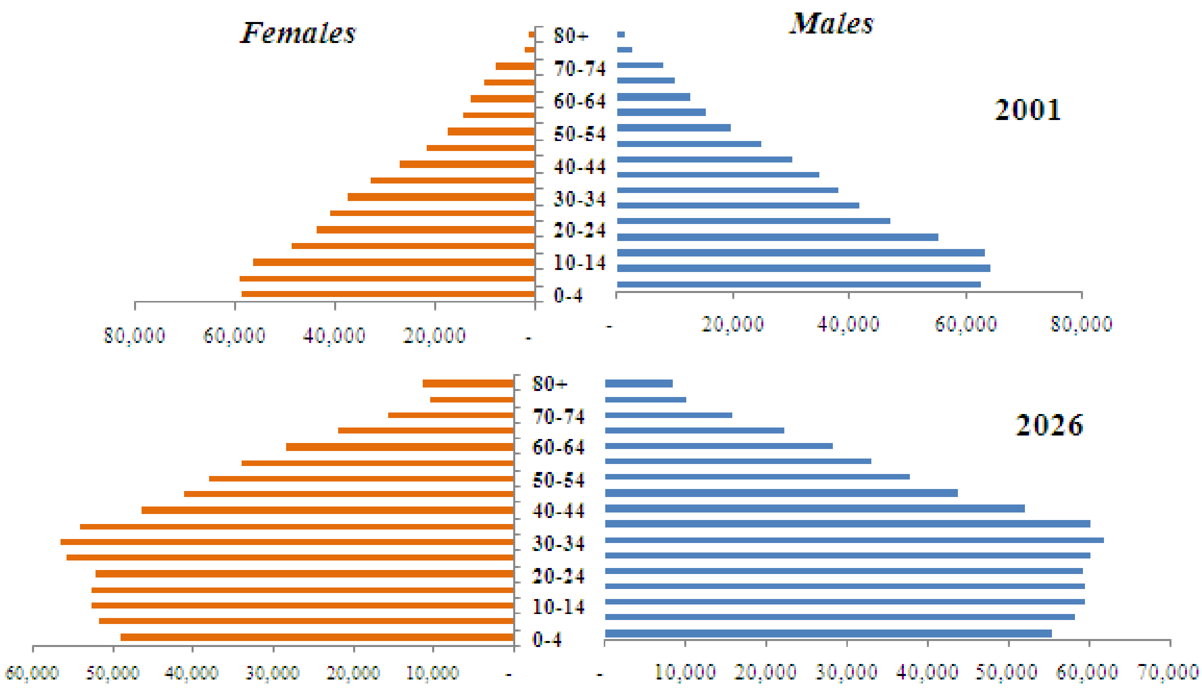
Discount Retail can be broadly defined as a retail format where 60% to 70% of the merchandise is sold at a discount of 10% to 25% or more. As per estimates, nearly 20% of the sales of most brands are through some form of discounts. Some of the major players in this space include Big Bazaar, Megamart, Prateek Lifestyle (Coupon Mall), and Sankalp Retail Value Stores (My Dollar Store). Largely, Discount Retail has been dominated by apparel focused stores and factory outlets.

1.3.Demand Drivers

Demographic dividend:

In India, the "demographic dividend" which manifests in the proportion of working age group of 15-64 years will be increasing steadily from 62.9% in 2006 to 68.4% in 2026.[11] The age group of 15-40, which is the target segment for most of the marketers, accounted for 61% of the 46 crore economically active population in 2007[12]. The young demography has in turn aided the demand of aspiration and lifestyle products.

Figure 3: Changing demography of India (age in years and population in '000s)



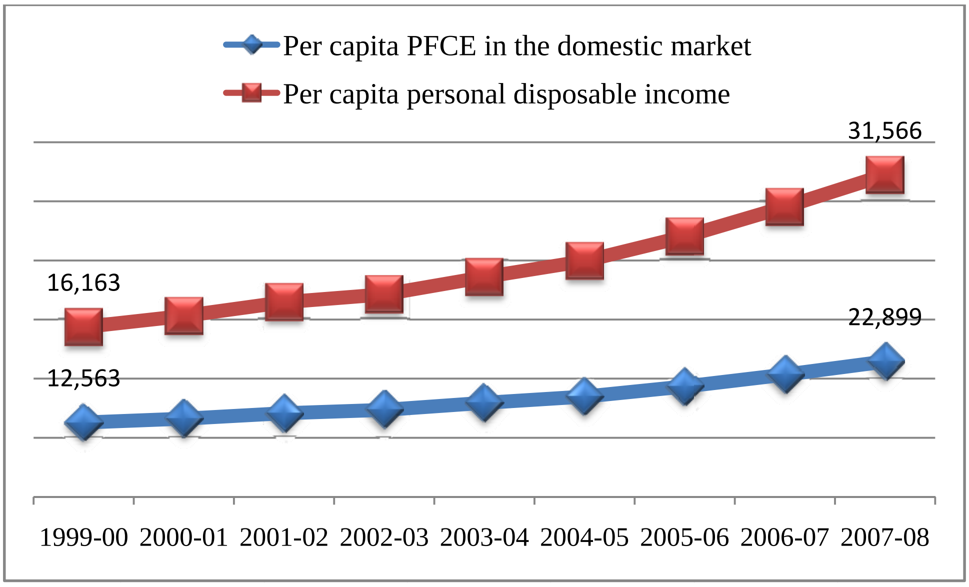
Source: Census of India Projections and IMaCS Analysis

[11] Economic Survey 2007-08
[12] ILO statistics

Rising consumption expenditure and disposable incomes:

The PFCE on food, beverages and tobacco continued to be the largest chunk of household budgets, at about 42%, in recent years. PFCE on durables (under the category furniture, furnishings, appliances and services) increased its share from 3.3% to 4% in the eight-year period ended March 2008. During the same period, transportation and communication expenditure grew from 13.1% to 17% of the total, and hotel expenditure from 1.8% to 2.8% .The fastest growing components of household spending are in the service sector, such as healthcare, communications and education.

Figure 4: Trends in Per capita Private Final Consumption Expenditure (PFCE) and Disposable Income (in Rs.)

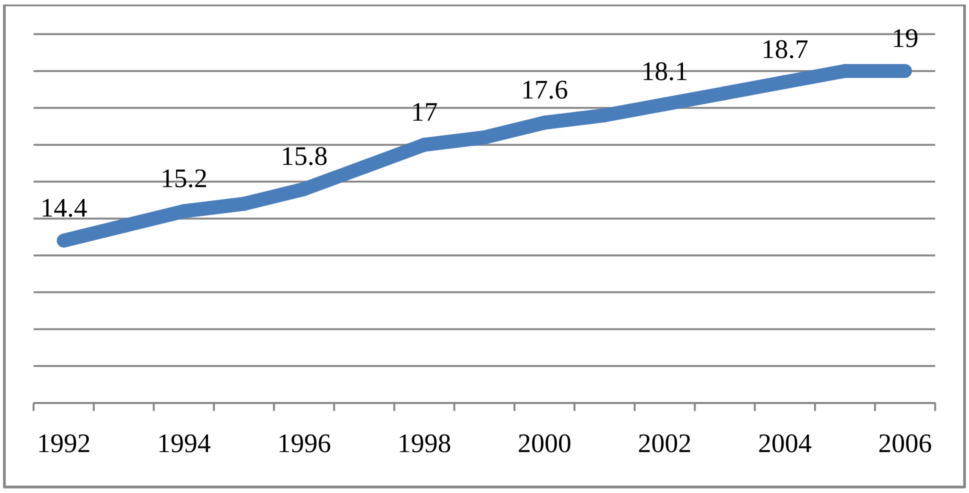


Source: Central Statistical Organisation (CSO), IMaCS Analysis

Increasing participation of women in workforce:

Share of women in employment out of the total employment has been showing an increasing trend over the years in line with the changing mindsets and increasing education levels among women. This has resulted in women having more impact on the purchase decision of household products as well as rising demand of products like apparel, footwear, eyewear, jewellery, etc. It has also led to increased disposable household incomes for working couples and lifestyle changes. Women have less time to spend on household chores which has led to increased demand of household durables and out of home food services.

Figure 5: Percentage Share of Women Employment Out of Total Employment in organised sector



Source: Ministry of Statistics and Programme Implementation & Ministry of Labour, IMaCS Analysis

<u>More choice available to the customers</u>

The choice available to the customers has increased manifold on account of advances in technology, increased competition and availability of number of Indian & global brands in the market. The effect of technology is very much at play in case of mobile phones & consumer electronics. Technological advances have led to fall in prices which have made certain products more affordable. This has also led to a shift in attitude towards certain products, from “luxury” to being a “necessity” (like mobile phones & air conditioners).

The strong economic growth and huge untapped markets have resulted in global brands making a beeline for India which has benefited the Organised Retail Industry. Segments such as clothing, jewellery, watches, and eyewear have been significantly aided by this phenomenon.

The availability of right kind of retail ambience in form malls and hyper- markets have also aided the industry as it provides the customers with world class shopping experience which was drastically different from the traditional retail formats.

<u>Penetration of credit/debit cards</u>

There are about 20 million[13] credit and debit card users in India the number continues to multiply. Credit/debit cards have significantly impacted the spending patterns of customers. Credit cards play a significant role in impulse purchases and also provide the customers with a convenient way of

[13] Reuters-“ Indian credit card industry - On an upswing”

transactions. The regulatory policies have kept the card frauds in check and have further increased their usage.

Urbanisation[14]:

The top 20 Indian cities, which though accounting for only 10% of the country's population, generate as much as 60% of its surplus income and 31% of its disposable income. These 20 large cities, which accounted for nearly US $100-billion of consumption expenditure in 2007-08, are categorised in three groups; Megacities (8), Boomtowns (7), and Niche Cities (5).These 20 cities, for the next eight years (2008-2016), will grow at a healthy rate of 10.1% per annum, compared to other cities growing at 7.9% per annum. In the past three years (2005-08), the top 20 have registered a growth of 11.2% per annum.

The increase in income levels will also have a direct impact on income profiles of households. In the next eight years - by 2016, while, the share of middle-income households ($6,000 to $30,000 per annum) in these twenty cities will increase from current 39% to 55%, the share of high-income households (more than $30,000 per annum) will increase three-fold to 13%.

The changing household demographics will no doubt bring about a major shift in demand pattern of different classes of goods. There is a 52% increase in spending as households graduate from low-income to middle class segment. The demand for the durables, for example, may go up by a substantial 84%.

1.4. Key Success Factors and Risk Factors

1.4.1. Key Success Factors

Efficient Supply Chains:

Highly fragmented supply chains coupled with infrastructure issues and the vast geographical spread of the Indian market pose huge challenges to the retailers. Indian retailers have to enhance their supply chains to succeed in the cost conscious market. Segments such as food and grocery have to cope with very highly unorganised supply chains. Also, the rising customer expectations would necessitate supply chains with quick reaction times.

Ability to penetrate rural market

The urban area has been the focus of Organised Retail which has led to increased competition. Rural India is home to 72 crore consumers across 6 lakh villages. 17 % of these villages account for 50 %

[14] The Next Urban Frontier: Twenty Cities to Watch-NCAER

of the rural population as well as 60 % of rural wealth. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV), Choupal Sagar (ITC), Kisan Sansars (Tata), Reliance Fresh, and others such as the Naya Yug Bazaar have already ventured into the retail market.

Leveraging Technology:

The Organised Retail layers have to leverage IT and technology to sustain business growth through innovation and differentiation. A numbers of retail players like DLF Retail, Khadims, Diamexon Diamonds have expanded their SAP footprints[15] to simplify business processes, reduce costs and adapt to the changing industry landscape. GPS and RFID technology can help in logistics and inventory management.

Customised solutions

The Indian retail market is very heterogeneous in nature. The dynamics for various segments change with the geography and other cultural factors. The challenge for the retailer is to keep this heterogeneous nature of the target market in mind and to balance it with other issues like economies of scale.

Investing in retail brand (store brand)

A strong retail brand is a critical success factor. The retailers should invest in brand building activities which would help them in attracting new customers as well as retaining the existing ones. The strong retail brand will allow the retailers to push through “private labels “which would strengthen their bottom line.

Customer Relationship Management (CRM)

The retailers have to come up with innovative CRM activities to retain their customer base and to add on to their brand value. CRM activities like loyalty programs have been received well by the customers in the past.

[15] Retail News letter, March 2009- India Infoline

2. Human Resource and Skill Requirements in the Organised Retail Industry

2.1. Overview of Employment in Organised Retail

The retail industry employs over 35 million persons [16] with the majority of the employment being in unorganised sector. The employment in the organised segment is about 0.3 million[17].

2.1.1. Core processes in Retail

Retailing is the vital link in any typical supply chain as it is closest to the customers. Retailing adds value in terms of bulk breaking, providing a wide assortment of goods, and incidental services to customers. The value chain and core processes involved in retail are given below.

Figure 6: Value Chain of Retail sector

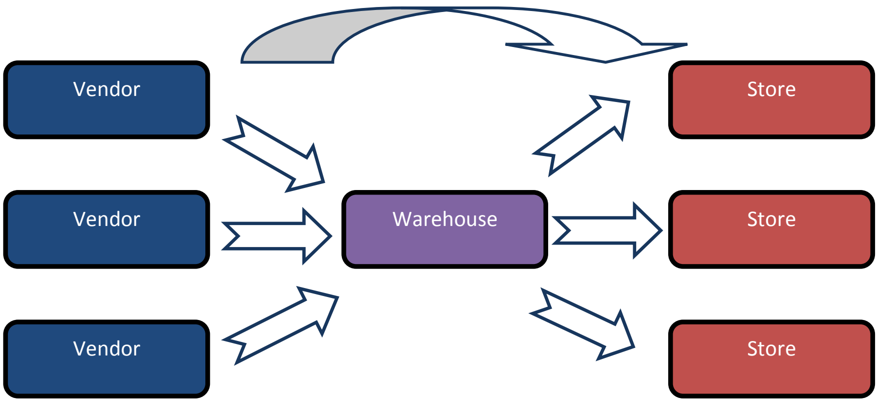
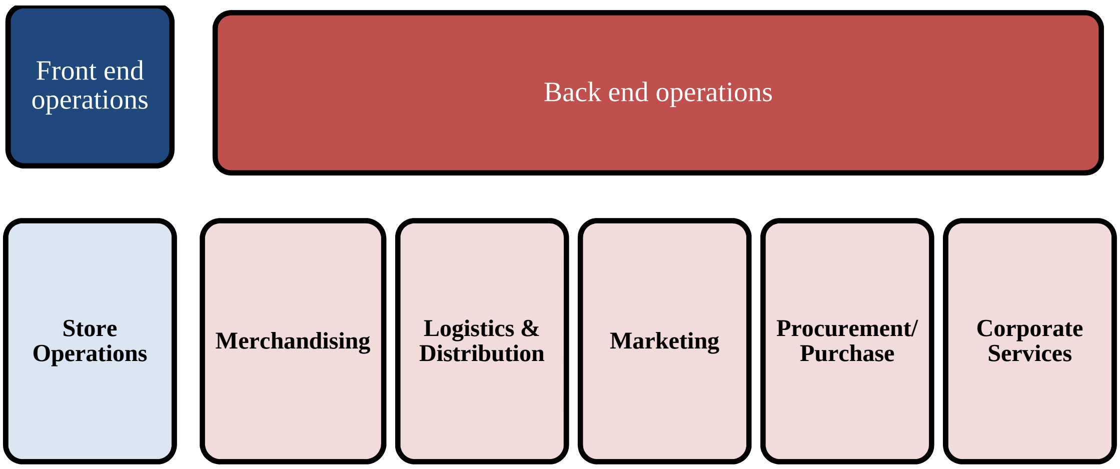


Figure 7: Core processes in Retail



Store Operations:

[16] ICRIER – Working Paper No. 222
[17] IMaCS analysis

Store operations play a critical role in shaping the customer perceptions towards the store/mall. Store operations involve selling, management of goods flow, store maintenance, customer service and transaction processing. The sales person plays an important role in technology goods, high value high involvement goods such as jewellery, watches, etc. Customer service includes delivery, repair, warranty work and handling of customer returns, etc.

Merchandising:

It involves selecting and displaying of the assortment of goods to be sold. The right mix/kind of merchandise plays an important role in selection of a particular store by the customer and is a key differentiating factor. It is a dynamic activity which has to be in resonance with customer trends and also has implications for the top-line and bottom-line of a retail outlet.

Logistics:

The infrastructure bottlenecks in India i.e., road conditions, lack of strong cold chains, poor warehousing facilities, are well documented. These bottlenecks add up to the logistics cost both in terms of time and money. Logistics plays an important role for Organised Retail as the economies of scale are mainly on account of centralised sourcing systems. The high logistics cost also forces the retailers to trade off between availability of goods to the customer and high inventory costs.

Marketing:

Marketing strategies of a firm shape both the pulling the target audience to the store through advertising and pushing merchandise to the customers through sales promotion programmes. The challenge for Organised Retail is to ensure both high footfalls and conversion ratio. Increasing the average transaction size is one of the main concerns for a retail outlet. Effective CRM strategies such as loyalty programmes play an important role in achieving the aforementioned objectives.

Purchase:

Centralised purchasing is important for the organised retailers to get advantage of their scale of operations. Retailing often involves a number of products and SKUs which make this task even more difficult. Purchasing function has to work in co-ordination with logistics and merchandising. The function also takes care of Vendor selection and development

Corporate services:

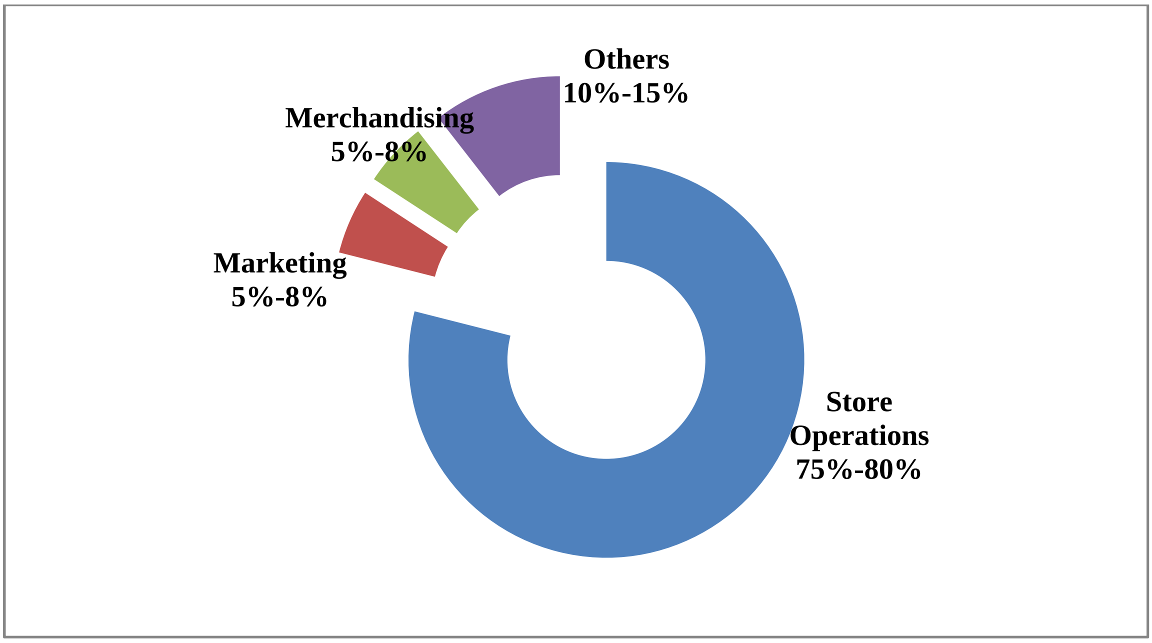
Corporate services are support functions such as Finance, HR, IT, Administration. IT and HR functions are increasing in importance. IT plays a key role in improving the efficiency as well as CRM activities.

2.1.2. Profile of human resource in Organised Retail

Major proportion of the employment in the retail sector is in front-end/retail assistant profiles in stores. The function/activity-wise distribution of human resource in the Organised Retail sector is shown in the following figure. Store operations account for 75%-80% of the total manpower employed in the Organised Retail sector.

The function /activity-wise distribution will vary based on the format of the stores (Departmental store, Hypermarket etc.) as well as other factors like Single/Chain stores, type of products etc. Also, stand alone/small retailers may not have explicit demarcation of functions for merchandising, or marketing.

Figure 8: Functional distribution of employment in Organised Retail



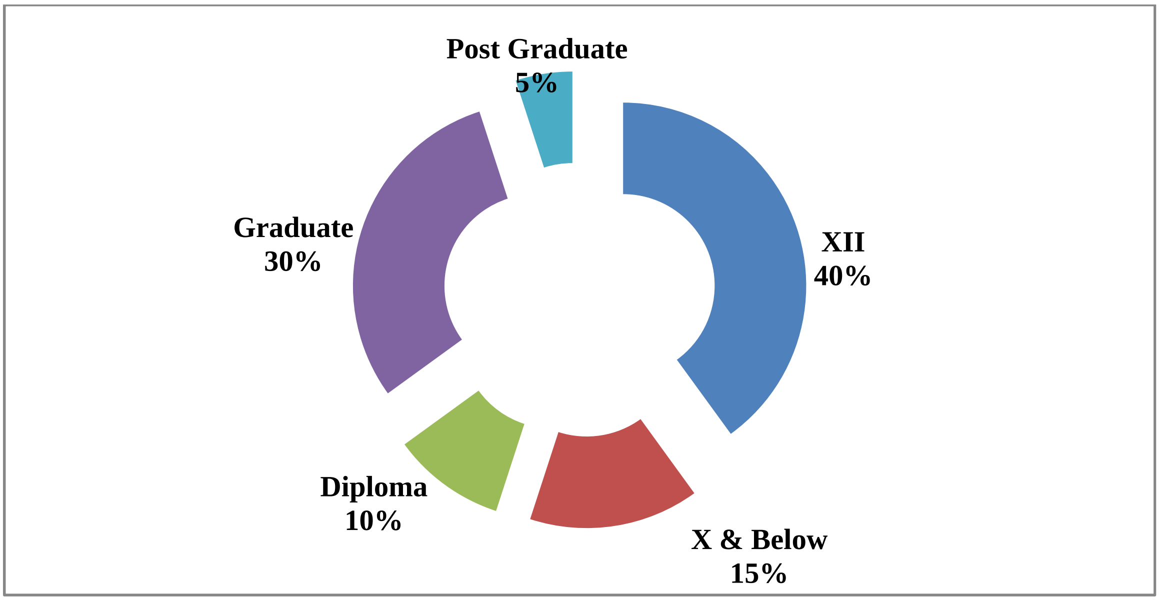
Source: Primary Research, IMaCS analysis

Others include Logistics, HR, IT, Site Maintenance etc

Only key functions are depicted. Also, these distributions are typical at the industry level - functions and the functional distribution may vary for different companies

The distribution of human resource by educational profile is shown below. As there are very few courses which are specific to retail, graduates/post graduates from other streams are recruited. Persons with education up to 12th Standard and 10th Standard account for 55% of the workforce. The education profile of the human resource will vary for retailers in small cities and rural areas where X/XII pass people account for a higher share of the workforce.

Figure 9: Distribution of human resource by education level



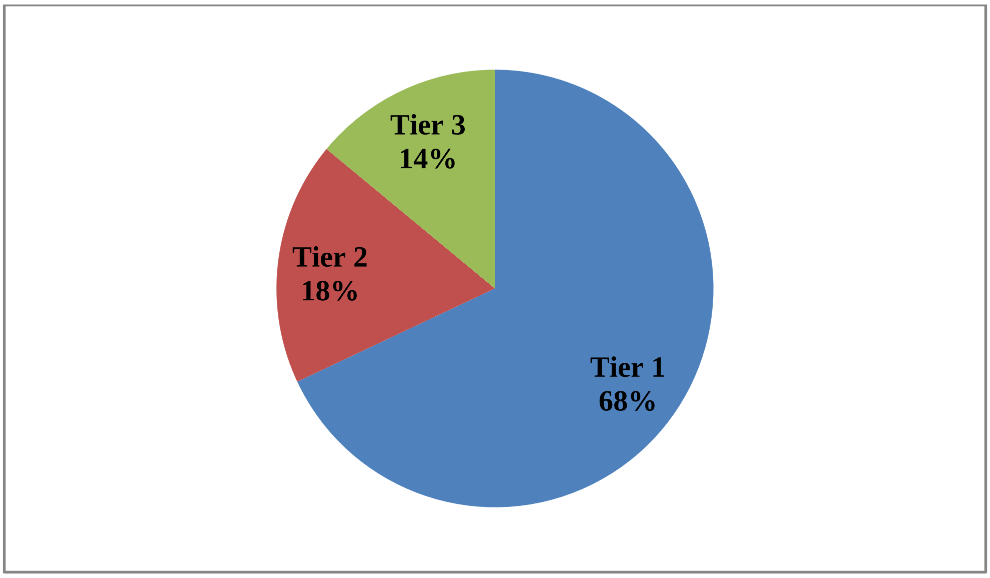
Source: Primary Research, IMaCS analysis

2.1.3. Major regions of employment concentration

Organised Retail has been more of an urban phenomenon till recently, but this is rapidly changing. The eight 'Megacities' that apart from large population also have large consumer markets are Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, and Pune. Organised Retail has spread to the seven 'Boomtowns' that have a large population and high expenditure per household, namely, Surat, Kanpur, Jaipur, Lucknow, Nagpur, Bhopal and Coimbatore. It has also spread to the five 'Niche' cities that are relatively smaller in population but have above national-average household spend, namely, Faridabad, Amritsar, Ludhiana, Chandigarh and Jalandhar.

Tier 1 cities account for a major portion of the malls - a scenario that is not likely to change drastically over the next few years at least. It is estimated that by the year 2011, the tier I cities will continue to hold a majority share, with the tier II and III cities inching a notch up in terms of supply. Of the 325 malls expected by 2011 covering an area of approximately 154 million sq. ft. the majority is accounted by the western and southern regions with 114 and 195 malls respectively together adding about 100 million sq. ft. The highest contributors in each zone are primarily the tier I & II cities such as NCR, Chandigarh and Ahmedabad in the north; Bangalore, Chennai and Hyderabad in the south; Kolkata, Raipur and Jamshedpur in the east; and Mumbai, Pune and Nagpur in the west.

Figure 10: Share of cities of Operational Mall space in India



Tier 1 includes Delhi NCR, Mumbai, Bangalore, Chennai & Kolkata

Tier 2 includes Hyderabad, Pune, Ahmedabad , Chandigarh, Jaipur & Luckhnow

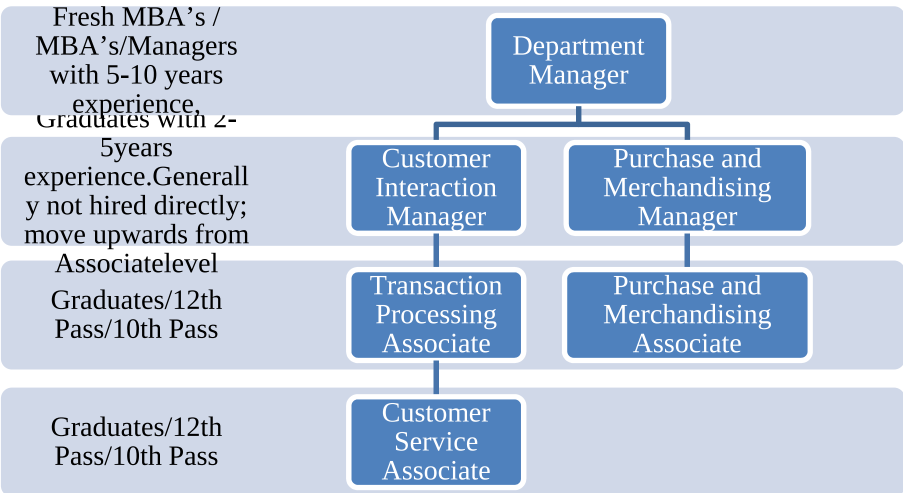
Tier 3 includes cities like Agra, Allahabad, Ludhiana, Kanpur etc.

The following section illustrates skill requirements and gaps across various functions and levels in the Organised Retail sector. We shall first review skill requirements and gaps common to the sector and later review skill requirements and gaps unique to each sector.

2.2. Skill requirements and skill gaps in Store Operations

The following figure illustrates the profile of people employed in the Organised Retail sector.

Figure 11: Profile of persons employed



The skill requirements and gaps in Store Operations are outlined below.

Table 1: Skill requirements and skill gaps in Store Operations

Level	Skills Required	Skill Gaps
Store Manager/ Department Manager	<u>Functional Skills</u> ▪ Responsible for the day-to-day management of a department/ store. ▪ Proficient with spreadsheet and word processor tools to analyse sales and generate sales reports. ▪ Ability to devise, suggest, as well as execute sales promotion programmes depending on the sales analysis. ▪ Understanding of various aspects of customer behaviour. For e.g., the profile of customer as user/buyer will have impact on selection of merchandise. The person should be able to communicate these insights to the sales personnel in an effective manner. ▪ Understanding of the local market to devise/alter/ provide inputs for the CRM initiatives, sales promotion and in-store advertising. Awareness of local festivals and other important occasions. ▪ Detailed product knowledge to train sales associates. ▪ Knowledge of offerings of competing stores/brands. ▪ Knowledge of product and ability to communicate the same to the customer. ▪ Ensure optimum stock levels and avoid stock outs. Co-ordinating with logistics. Optimum inventory levels have a major impact on the store top-line and bottom-line. ▪ Identify and finalize vendors (when small format/de-centralised). ▪ Ability to negotiate with vendors to resolve issues relating to the quality and price of products. ▪ Ability to handle difficult/demanding customers.	▪ Inadequate understanding of cross functional activities such as logistics, in-store marketing and merchandising is limited. ▪ Man management skills to keep the employees motivated in the demanding work environment. ▪ Ability to adapt quickly to the changing customer/market trends. ▪ Insufficient knowledge of completion both in general and specifically local to the catchment area of the store.

Level	Skills Required	Skill Gaps
	<u>Soft Skills</u> ▪ Strong communication skills to interact with the store employees and customers. Depending on the format, it is required to have proficient knowledge of English and/or the relevant vernacular language ▪ Written communication skills (English) for sales and other routine reports. ▪ Man management skills to motivate the store employees in an ever-demanding work atmosphere. ▪ Ability to maintain inventory, achieving targets, and maintaining store margins.	
Transaction processing Associate/ Billing associate	<u>Functional Skills</u> ▪ The ease of transaction is a key factor in ensuring customer convenience. Key responsibilities involve accurate and quick transaction processing. ▪ Requisite computer skills. Understanding of transaction software/hardware such as bar code reading machines, etc. ▪ Knowledge of handling credit/debit card payments. ▪ Total cash &credit-card transactions and compare with cash register receipts and enter the results in financial records, reporting cash surpluses or shortfalls. ▪ Solving minor transaction software problems ▪ Knowledge of offers underway in the store and its implications on billing. <u>Soft skills</u> ▪ Good interpersonal skills to interact with the	▪ Inadequate knowledge of processing of transactions and managing cash ▪ Inadequate knowledge of software related to transaction processing ▪ Inadequate soft skills – ability to interact with customers in the presence of a long queue.

Level	Skills Required	Skill Gaps
	customers in a friendly manner. Ability to handle customers with patience when credit-card transaction is not approved, a requested item is out of stock or a refund cannot be issued. ▪ Good oral communication skills to interact with the store employees and customers. The executive should be able to communicate and explain the billing amount to the customers. ▪ A working knowledge of English and/or vernacular language(s).	
Customer service representative/ Sales Associate/Sales person	Functional Skills ▪ Knowledge of current sales promotion schemes of the company and ability to communicate the same to the customers. ▪ Ability to sell – i.e., selling skills ▪ Knowledge of policies regarding exchanges. • In depth knowledge of store offerings. The person should be aware of the offerings of competing stores/brands. For e.g., in case of sales person engaged in apparel retail, knowledge of type of fabrics, styles, etc. of competing brands would be important. • Knowledge of product features such as : - brand options - warranties - features and benefits - use/application - shelf life/use by dates - care and handling - storage requirements - product/ingredient/material - safety features - price This is specifically important for retailers offering	▪ Inadequate product specific knowledge, especially at the entry level. ▪ Inadequate understanding of sales promotion, marketing and other schemes. ▪ Inadequate communication skills and interpersonal skills is the major concern as it is relatively easier to bridge gaps in functional skills.

Level	Skills Required	Skill Gaps
	high value products and services. ▪ Ability to guide the customers to the relevant sections of the store. This is important for formats such as supermarket and hypermarket which are spread over a large area. ▪ Knowledge about the merchandise in inventory to help customers find the desired merchandise which is not on display. ▪ Ability to watch out for security risks and thefts, and know how to prevent or handle these situations. ▪ Ability to cross sell - This is specifically important for departmental stores and other large formats where product line spans across different categories. ▪ Ability to describe merchandise and explain use, operation, and care of merchandise to customers. Soft Skills - Good communication skills are a must for customer interaction. The executive must be able to understand both the explicit and implicit customer requirements such as - Size, colour etc (in case of garments) - price range (value for money) - Usage (For personal use or for gifting) - Convenience - Flexibility ▪ Ability to understand product information, store policies and procedures ▪ Ability to interface effectively with customers - Great emphasis is attached to adhering certain levels of behavioural norms/etiquettes while interacting with customers. There is a code of conduct conveyed to employees in this regard.	

Source: Primary research and IMaCS analysis

2.3. Skill requirements and skill gaps in Merchandising

Table 2: Skill requirements and skill gaps in Merchandising

Level	Skills Required	Skill Gaps
Merchandising Manager/Sr. Merchandising Manager	Functional Skills ▪ Ability to conceptualise and execute window and in-store display ▪ Ability to position signage at key locations ▪ Responsible for the overall feel of the stores and for creating a pleasant shopping ambience. The look and feel has to be consistent across stores and need to be modified at suitable intervals to sustain customer interest. ▪ Ability to understanding of visual merchandising concepts, designing store layouts, visual displays in store windows and on the sales floor. This is required as retail space in a store is limited and has to ensure that the "retail brand" is communicated properly. ▪ Understanding and knowledge of current market trends - ability to ensure that items in high demand get more share of the shelf space. For e.g. , an apparel retail merchandiser should know the colours, designs which are doing well at the sale counters and give more focus to the same. ▪ Knowledge of products and customer behaviour. Soft skills ▪ Good oral communication and interpersonal skills to liaison with marketing/purchase and other departments. ▪ Adequate reporting skills ▪ Knowledge of data analysis and the requisite tools such as spreadsheet to analyse sales trends.	▪ Shortage of people with knowledge of merchandising concepts. Also, the number of SKUs (Stock Keeping Units) handled in a retail store is very large and hence it necessitates prior experience. ▪ Inadequate understanding of merchandising and its impact on the same – e.g., ease of access, relative position in the shelf, location in the trading area. ▪ Soft skills required for co-ordinating with other departments.

Level	Skills Required	Skill Gaps
Merchandising Associate/ Executive	▪ Responsible for executing merchandising strategy. ▪ Ability to liaise with stores and purchase department. ▪ Understand the store layout, display scheme and merchandising strategy and customise it for different stores (stores may be different in size and may have a different customer profile) ▪ Routinely visit stores and ensure that the merchandising scheme is being implemented appropriately.	▪ Inadequate skills to customise the merchandising plan to varying requirements of individual stores. ▪ Insufficient soft skills to liaison with the stores and purchase departments.

Source: Primary research and IMaCS analysis

2.4. Skill requirements and skill gaps in Purchase

Table 3: Skill requirements and skill gaps in Purchase

Level	Skills Required	Skill Gaps
Purchase Manager/ Category Manager	Functional skills ▪ Centralised purchase helps the organised retail firms to exploit the advantages of scale. The manager should able to negotiate better pricing and other payment terms with the suppliers. ▪ Good understanding of the products purchased. ▪ Ability to track inventory levels ▪ Knowledge of various sourcing alternatives and ability to search/select various vendors. ▪ Ability to liaise with logistics and merchandising departments. Soft Skills ▪ Good oral and written communication skills are	▪ Inadequate negotiation skills ▪ Shortage of skilled people especially at the manager levels. ▪ Soft skills required for co-ordinating with other departments

Level	Skills Required	Skill Gaps
	important to liaison with the store managers and vendors.	
Purchase executive	Functional Skills ▪ Routinely interact with the various vendors and ensure that the delivery of merchandise takes place in a timely manner. ▪ Identifying and screening of new vendors. Understand the characteristics of merchandise from probable vendors and communicate the promising vendors to the senior management. Soft Skills ▪ Good oral communication and negotiation skills to interact with the vendors.	▪ Insufficient ability to ensure timely delivery of merchandise during peak demand season.

Source: Primary research and IMaCS analysis

2.5. Skill requirements and skill gaps in Logistics

Table 4: Skill requirements and skill gaps in Logistics

Level	Skills Required	Skill Gaps
Senior Manager/ Manager	▪ Key responsibility is to ensure proper availability of merchandise in the retail outlets. ▪ Responsible for maintaining the warehouse operations. Should able to come up with continual improvements to drive down the logistics cost. ▪ Design and modify the logistic schemes in terms of location of warehouses and transport mediums. ▪ Negotiate with warehouse owners for leasing agreements and transport operations.	▪ The number of SKUs (Stock Keeping Units) handled in a retail store is very large and hence the logistics task is more demanding in the retail environment. Availability of experienced Logistics personnel is a key challenge.

Source: Primary research and IMaCS analysis

2.6. Skill requirements and skill gaps in Marketing

Table 5: Skill requirements and skill gaps in Marketing

<table>
<tr><th>Level</th><th>Skills Required</th><th>Skill Gaps</th></tr>
<tr><td>Marketing Manager/Sr. Marketing Manger/ Marketing Officer</td><td><u>Functional Skills</u>
Knowledge of data analysis and the requisite tools like spreadsheets to formulate loyalty programmes and other CRM initiatives.
Ability to monitor the various CRM initiatives to gauge their effectiveness and make suitable modifications from time to time.
Understanding of customer profile to develop in-store marketing campaigns and sales promotion activities.
Ability to understand customer behaviour. Should be aware of the seasonality factors to ensure proper timing of the sales promotion schemes.
Ability to coordinate with media agencies
Knowledge of CRM/sales promotion activities of competing retail outlets. Should be able to develop schemes which can break through the clutter.
<u>Soft skills</u>
Oral Communication skills are essential for co-ordinating with the various store managers and ensuring that the various campaigns are executed properly.
Good writing skills (English) to generate routine reports. Good knowledge of vernacular language is also desirable for better marketing communication.</td><td>Ability to translate marketing knowledge to a retail perspective and increase footfalls os inadequate.
Insufficient ability to quickly adapt to changing market dynamics and modify the marketing campaigns. Creative approach to the various campaigns is also desirable.
Inadequate soft skills for co-ordinating with other departments.</td></tr>
<tr><td>Marketing</td><td><u>Functional Skills</u>
Responsible for executing the marketing</td><td></td></tr>
</table>

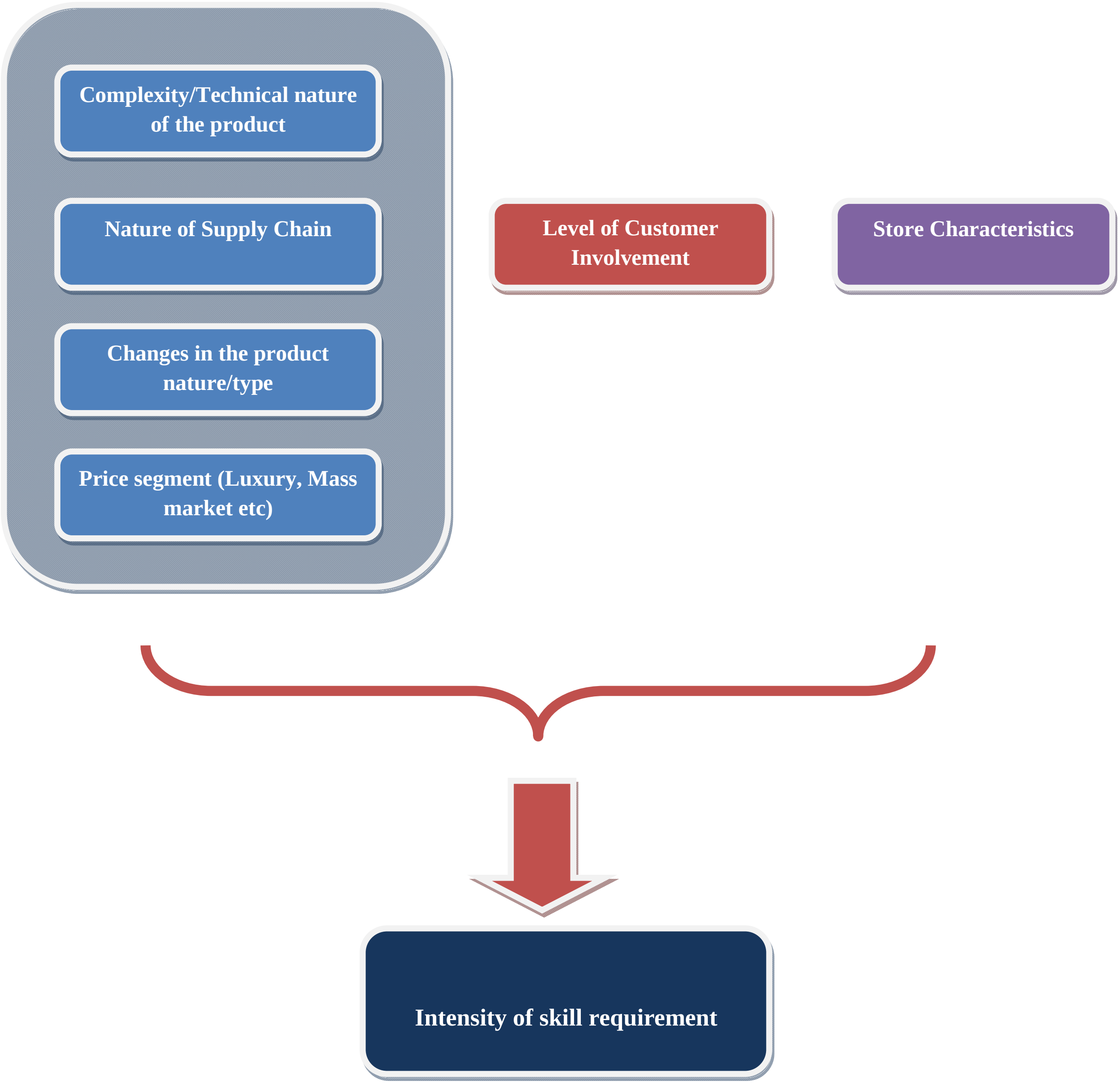
Level	Skills Required	Skill Gaps
Executive/ Marketing associate	strategies. Liaison with stores and purchase department. ▪ Knowledge of the various marketing, sales promotion, CRM schemes. Should be able to communicate the same to the stores in an effective manner. ▪ Ensure that the marketing strategies are being implemented at the stores appropriately. ▪ Get feedback from the stores to customise the schemes according to the customer profile in the catchment area and communicate the same to the senior management. ▪ Liaise with vendors for marketing collaterals and ensure that they are properly used in the stores. <u>Soft Skills</u> ▪ Good oral communication skills for interacting with the stores and other departments. ▪ Reasonable knowledge of English and vernacular language is a must.	▪ Insufficient ability to understand and communicate the varying requirements of individual stores – the requirement of stores differ based on locality and format. ▪ Communication of the various schemes to the stores in an effective manner.

Source: Primary research and IMaCS analysis

2.7. Skill requirements unique to different segments and formats in Organised Retail

As mentioned earlier, Clothing & textiles, Footwear, Consumer durables & Home appliances, Food & Grocery and Out-of-Home Food Services are the major retail categories which account for 76% of the Organised Retail market. Also retail formats such as supermarkets, hypermarkets cut across various product categories. Although the skill requirements are similar across segments, the type of product retailed, format of the store and customer involvement impacts the intensity of skill requirement across the various functions and the same is shown below.

Figure 12: Factors leading to difference in skill intensity across Retail segments



<u>Product Characteristics</u>

- ***Complexity/technical nature of the product***

  The level of complexity of the product impacts the product knowledge requirement of the store staff. *Consumer durables, Health & Beauty Care Services, Pharmaceuticals and mobile phone retailing* segments necessitate detailed product knowledge as well as he ability to communicate the same to the customers. Store sales executives should possess reasonable knowledge of English to understand the product characteristics and good communication skills to communicate the same to the customers. *Apparel and clothing merchandise* vary based on material type, colour, sizes, shapes, etc. Human resources in purchase and merchandising departments of an apparel retail firm need to have in-depth knowledge of the various textile products, their implications on demand and price. This is more critical for retailers focussed on private labels.

- ***Supply chain of the product***

  Unorganised nature of the supply chains and perishable nature of wet grocery products pose significant challenge for the Food & grocery retailers. Also a *vast number of products and SKUs* are handled by these retailers which necessitate higher intensity of skills for human resource employed in logistics and procurement. Certain products like *watches*, *eyewear (especially luxury segment)* are imported. Hence excellent communication skills as well as knowledge of import procedures are required.

- ***Changes in the product type/nature***

  Certain products such as *clothing and apparel, jewellery, eyewear and watches* are impacted by the fashion trends. The merchandisers in these segments need to be highly skilled as they have to constantly review their strategy vis-a-vis fast changing market trends. *Fashion driven products* are characterised by frequent sales promotion programmes to optimise the inventory levels. Sales promotion becomes critical for a retailer to clear off the stocks at the end of season as excess inventory leads to substantial inventory carrying costs. This translates into higher skill intensity in the marketing function.

Level of customer involvement

High customer involvement leads to high level of interaction with the store staff as well as the need for a strong retail brand. Products such as *Clothing and apparel, Eyewear, Mobile Phones, Automobile Retail, etc.* require front end personnel with good communication skills, understanding customer behaviour as well as product knowledge.

Store characteristics

The store characteristics in terms of location, format, size, etc. would impact skill requirements. The stores located in smaller towns would require store personnel with knowledge of vernacular language apart from Hindi & English. Also, chain of stores in different regions would require the marketing and merchandising personnel to have knowledge of the respective regional market trends.

2.7.1. Skill requirements unique to specific segments in Organised Retail

The skill requirements unique to different segments are illustrated below. These requirements are at a store/front-end level, unless otherwise indicated.

Table 6: Segment-specific Skill Requirements in Organised Retail[18]

Segment	Segment-specific Skill Requirements
Apparel Retail	**Store-Executives** ▪ In multi-brand stores (large apparel formats), the sales counter staff need to have general product knowledge, basic knowledge of English and local languages, and a cheerful disposition. ▪ In the case of exclusive brand outlets, there is a requirement for deeper knowledge of fashion trends and product knowledge (even fashion graduates may be required for this). This has to be backed up by excellent communication skills and customer service skills. As is apparent, the skill requirements here are more complex as compared to multi-brand stores. ▪ Personal grooming, customer service, and basic skills are required, at the minimum. **Merchandising** ▪ The segment is significantly affected by seasonality and fashion trends. Moreover, the customer tastes vary for different catchment area. Highly skilled merchandising managers with relevant experience are much sought after. ▪ The merchandiser has to be in sync with the market trends in terms of styles, colours and type of fabrics in vogue. Also, the fashion trends in India are very much driven by the entertainment industry and hence they act as a clue to the likely changes in fashion trends.
Fashion Accessories	▪ Personal grooming, customer service, and basic skills are

[18] These requirements are at a store/front-end level, unless otherwise indicated.

Segment	Segment-specific Skill Requirements
	required. ▪ There is a need for technical knowledge of products – in the case of eye-wear, watches, which requires on the job training/product specific training. In high-end accessory retail, there is a requirement for style-consultants as well.
Food and Grocery Retail	**Store-Executives:** ▪ In this format, the skill requirements are similar to the generic skill sets required in large apparel formats - general product knowledge, basic knowledge of English and local languages, and a cheerful disposition. ▪ Personal grooming, customer service, and basic skills are required, at the minimum. **Store-Managers and Merchandisers:** ▪ Store managers are required to be fresh/experienced MBA graduates with good communication and team-handling skills. ▪ The number of products and SKUs in a food and grocery retailer runs into thousands which translates into higher skill requirements of the merchandiser. ▪ Understanding of seasonality in demand of certain products, difference in the food habits of different regions, impact of changing lifestyles are a must. **Back-end Operations:** ▪ Inventory managers and supply chain analysts and very crucial to this format of retail.
Health and Pharma Retail	▪ A large number of pharma retail chains is driving demand in this segment ▪ This requires pharma graduates or graduates with a chemistry background ▪ There is also a requirement for management graduates for marketing, tying-up with insurance companies and hospitals. ▪ For the Grooming and Beauty-care segment, there is a

Segment	Segment-specific Skill Requirements
	requirement for personnel trained in beauty-care product specific knowledge and strong communication skills.
Leisure Retail – Books, Music, Gifts, and Stationery	▪ This requires unique 'product knowledge' - employees with a flair for reading books or an ear for music, in addition to customer servicing skills. ▪ While book retailing may also require literature graduates, the gift retail segment may require 10th/12th standard passouts with adequate communication and customer interaction skills.
Electronics Retail	▪ There is a requirement for a deep understanding of technology – which leads to a demand for science graduates and diploma holders. ▪ This is required because of the necessity to handle technical queries posed by the customer ▪ Apart from this, the generic skills of customer interaction, communication, etc. are required.
Grooming and Fitness	▪ There is a demand for Nutritionists, beauticians and fitness training instructors whether it is Yoga, Taichi, weight-training or aerobics ▪ There is a demand for such skills among graduates/diploma holders with specific training and certifications in these areas. ▪ Communication skills and English speaking skills are a must in this high-end segment.

Source: Industry inputs, India Retail Report 2009, and IMaCS analysis

2.7.2. Skill requirements specific to different formats in Organised Retail

The skill requirements specific to different formats in Organised Retail are illustrated below.

Table 7: Format specific Skill Requirements in Organised Retail

Retail Format	Features characterising the format	Impact on Skill Requirements
Departmental stores	▪ Stocks a wide variety of merchandise ranging from apparel, toiletries, cosmetics, toys, and jewellery to appliances and furniture ▪ Size of store is about 15,000 to 1 lakh sq. ft.	▪ Store personnel need to be aware of the various products within a particular department. ▪ The stores which are smaller in size would require the store personnel to ***multi-task.***
Super Markets	▪ Large product profile/SKUs ▪ Self service ▪ Store size is about 5,000 to 15,000 sq. ft.	▪ Highly skilled store managers are a must ▪ The front end staff should be able to guide the customers to the relevant aisles
Hyper Markets	▪ Combines the features of both departmental stores and super markets ▪ Large size of store (about 0.5 to 1 lakh sq. ft.) as well as number of products	▪ Highly skilled store managers are a must ▪ The front end staff should be able to guide the customers to the relevant aisles ▪ Dedicated department/people required to manage the facilities and store infrastructure
Speciality Stores	▪ Focussed on a few categories/brand	▪ High level of product knowledge of the front end staff.
	▪ Centralised purchase, marketing and merchandising functions	▪ Communication and soft skills to liaison with various individual stores.

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Retail Format	Features characterising the format	Impact on Skill Requirements
Chain Stores (of various formats)	to exploit economies of scale	▪ Efficient scheduling skills of the logistics personnel to lower the cost as well as avoid stock outs. ▪ The marketing and merchandising personnel have to customise their efforts to the needs of the individual stores. The difference may be on account of size and location of store as well as difference in customer profile of catchment area.

Source: Industry inputs and IMaCS analysis

2.8.Current Training/Education Infrastructure

The Retailers Association of India (RAI) has pioneered the training & education initiatives in the sector by partnering with various institutes.

- Post Graduate Programme in Retail Management – PGPRM
  RAI offers the PGPRM in association with the following institutes. The course caters to the mid management skill requirements of the retail sector.

Table 8: PGPRM partnering institutes with RAI

Region	Location	Name of the Institute
Southern Region	Hyderabad	Asian School of Business Management
	Bangalore	Bangalore Management Academy
	Bangalore	IFIM Business School
	Bangalore	International School of Business & Media
	Belgaum	KLE Society College of Business & Administration
	Bangalore	Vasavi Institute of Management & Advanced Studies
	Bangalore	Indian Business Academy

Region	Location	Name of the Institute
	Bangalore	Jain School of Retail
Western Region	Indore	CH Institute of Management and Commerce
	Ahmedabad	Stevens Business School
Northern Region	Jalandhar	C.T.Group of Institute
	Noida	Design and Innovation Academy
	Gurgaon	NSHM Center of Management & Development Studies
Eastern Region	Bhubaneswar	Institute of Management and Information Science
	Durgapur	NSHM Center of Management & Development Studies
	Kolkata	NSHM Center of Management & Development Studies

- BBA in retailing: RAI - IGNOU’s ‘BBA in Retailing' is a unique programme with University-Industry collaboration. The Programme has been developed by key retail industry experts and academicians. The duration of the structured course is three years and it includes on the job training (internship) in the first year.
- Professional Retailing Skills programme: This course conducted by RAI’s PRS Training Centres all across India.
- Excellence in Store Operations: the 2 day Workshop is a learning platform for retailers, practicing Retail Professionals, Retail Supervisors and Store Owners from all sectors in retailing

Some of the large players in Organised retail have large training initiatives. Bharti Retail and Vishal Retail have announced the launch of retail training academies in Ludhiana and Delhi respectively. The two facilities are expected to churn around 5,000 trained persons every year. The new schools are in addition to the existing academies including Spencer's Pragati, and Future Learning and Development Academies in Ahmadabad, Bangalore and Kolkata.

The following schematic depicts the current demand and supply side issues at work in the Organised Retail sector in India.

Figure 13: Demand and Supply side issues in Organised Retail

Demand side issues in Human Resource

- Communication and other soft skills are the key skill requirements of the industry. Product/process knowledge imparted through in-house training.
- Poaching across industries: easy exchange of trained resources between different industries, especially travel and tourism (eg. flight attendants), hospitality (eg. hotel front desk personnel) and poaching in same industry on account of limited talent pool coupled with rapid growth in retail sector.

Supply side issues in Human Resource

- Very limited retail training opportunities available –niche courses required for areas like merchandising, supply chain etc.
- Demand of manpower in big cities would be met people from the smaller cities/towns. In smaller cities , people will be hired locally.
- Finding the candiddates with higher level skills in smaller cities is difficult

Source: IMaCS analysis

Industry interactions reveal that there would be a demand for personnel at all levels, led by the requirement for front-end stores personnel.

2.9.Approach towards new Skill building initiatives

Soft skills such as communication skills, interpersonal skills are the key criterion for employability for both the entry level and middle level jobs at the store-end. Function specific knowledge is the key factor influencing employability of the people for non-store jobs. Also, differences in business models, product specific knowledge would necessitate in-house training. Many of the retail firms have in house training programmes. These in-house training programmes are of short duration (typically7-14 days) and impart both product specific and soft skill training.

2.9.1. Skill building programmes for store-jobs

Training initiatives for the existing employees of retail firms are likely to more acceptable in the near future as the training programme can be customised for the particular companies. There is a strong demand for persons trained in Organised Retail specific courses.

The training programmes could be of short (7 - 14 days) and/or medium (3 months - 6 months duration). The short term training programmes will be aimed at ***existing employees*** whereas the medium term courses should target ***entry level X/XII pass/Graduates***. The programmes should focus on soft skill training as well as cover basic concepts of retailing and consumer behaviour. ***There is also a demand for customised, company-specific training and/or product specific training.***

The training programmes targeted for store managers should target existing supervisors and senior executives (2-3 year experience in retail) and should impart cross functional knowledge required to maintain a store.

2.9.2. Skill building programmes for non-store jobs

The training programmes for marketing, merchandising should be targeted at graduates (BBA) and would need to be of about 6 months to a year in duration targeting related job profiles in marketing, merchandising, etc. Industry exposure as part of these courses is a must to impart the right skills as well as to gain acceptability of the candidates from the retail companies.

2.10. Regions which will drive human resource requirements

As mentioned earlier, **Megacities** (Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad and Pune), **Boomtowns** (Surat, Kanpur, Jaipur, Lucknow, Nagpur, Bhopal & Coimbatore) and **Niche cities** (Faridabad, Amritsar, Ludhiana, Chandigarh and Jalandhar) would account for most of the human resource requirement.

The retailers in tier 1 cities would have to look at people from smaller cities and towns to meet the store end jobs. Also, the training requirements of such persons in term of communication skills, especially knowledge of English, have to be addressed.

Tier 1 cities will continue to account for a large portion of the demand, taking increasing mall space as an indicator.

Table 9: Retail mall space addition in tier-1 cities

Retail Mall Space Addition				
In million sq. ft.	**2008**	**2009**	**2010**	**2011**
Delhi NCR	3.2	7	5	3
Mumbai	6.8	6.1	5	3
Pune	0.4	2.75	2.25	0.4
Ahmedabad	0.4	1.5	2.9	
Bengaluru	0.2	3	7	8
Hyderabad		1.8	4.2	8
Chennai		0.5	4	2
Kolkata	0.4	2	4	9
Total	11.4	24.65	34.35	33.4

Source: Cushman and Wakefield

The retailers in the smaller cities would have to employ people from the local population who would be more in sync with the local culture and language.

Table 10: Cities which will drive human resource requirements in Organised Retail

Type	**Cities**
High growth cities	Pune, Ahmedabad, Chandigarh, Ludhiana, Kochi, Vadodra, Jaipur, Lucknow
Emerging cities	Indore, Amritsar, Jalandhar, Mangalore, Nasik, Bhubaneshwar, Agra, Vishakapatnam, Coimbatore, Kanpur, Nagpur, Goa, Surat, Mysore, Jamshedpur, Thiruvananthapuram
Potential cities	Jodhpur, Varnasi, Meerut, Rajkot, Aurangabad, Bhopal, Sonepat, Vijayawada, Madurai, Ranchi, Guwahati, Jamnagar, Allahabad

Source: Industry inputs, IBEF, and IMaCS analysis

2.11. Projected Industry Size and Human Resource Requirement

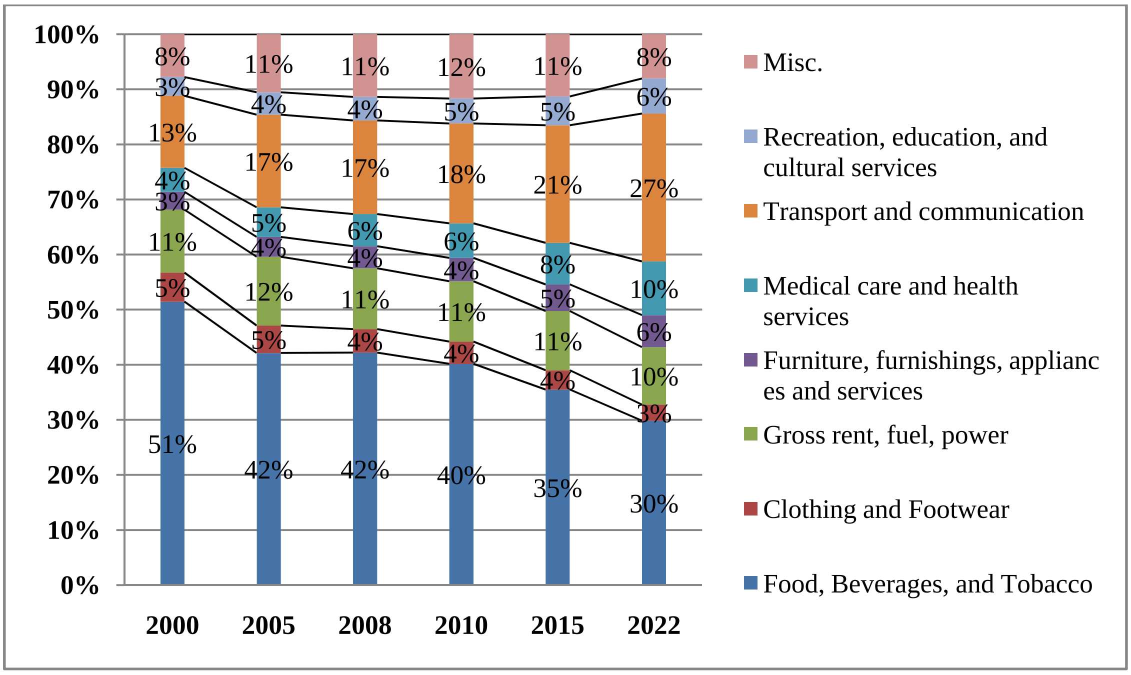
2.11.1. Projected PFCE and Industry Size

The Indian Retail Industry has been growing at a steady pace fuelled by the economic growth witnessed in the country. Between 2003 and 2008, the Gross Domestic Product (GDP) grew at a Compounded Annual Growth Rate (CAGR) of 8.8% on real terms and 13.8% on nominal terms. During the same period, retail trade grew at 9.4% on real terms and 15.4% on nominal terms[19].

In terms of consumption, the total Private Final Consumption Expenditure (PFCE) in India stood at Rs. 26 trillion (US $ 521 billion) in 2008. The growth in the Retail Industry is evidenced by the steady increase in PFCE which has been growing at a CAGR of about 9.5% between 2000 and 2008[20].

Our analysis reveals that the PFCE can grow at a CAGR of 10% between 2008 and 2022 backed by increasing economic growth, changing demographics, and lifestyle[21]. This will be led by overall increase in the consumption expenditure along with structural changes in the 'nature of expenditure' – decreasing share of essentials, namely food and clothing, and increasing share of lifestyle goods and services, namely education, recreation, transportation and communication, and durables.

Figure 14: Projected change in the composition of PFCE



Source: IMaCS analysis

[19] Central Statistical Organisation, Ministry of Statistics and Programme Implementation
[20] Current Prices
[21] Our overall approach to macro-economic modeling and forecasting is explained in a separate annexure

2.11.2. Projected Size of Organised Retail Industry

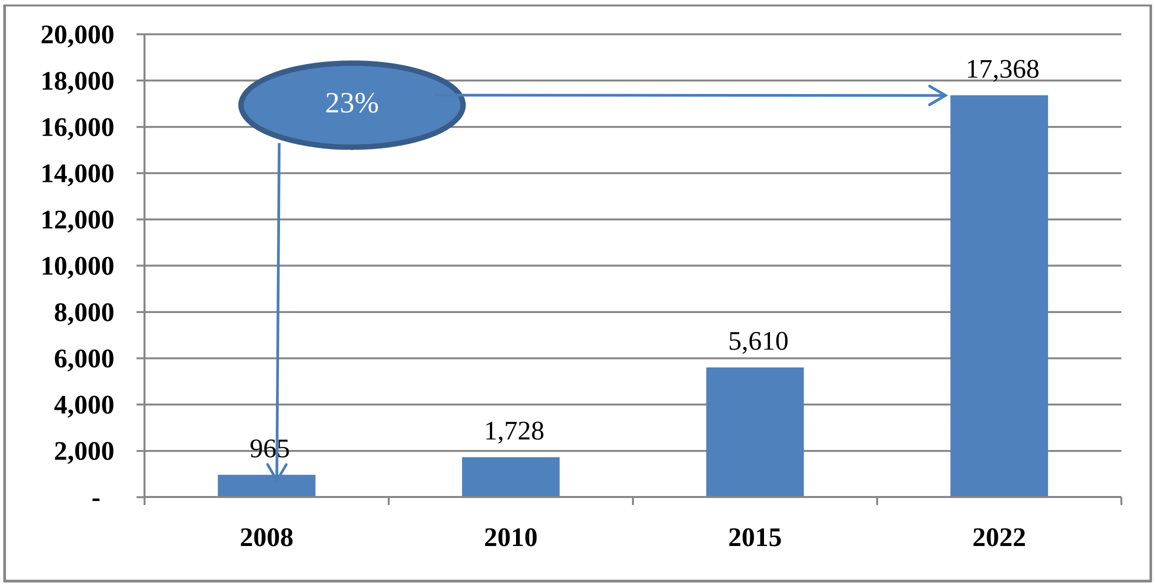
The growth of Organised Retail would be driven by increasing penetration of Organised Retail from current levels of 4% to 5% in 2008 to over 20% to 25% by 2022. Even in the medium term, this would be reflected in the required/expected increase in retail space from about 30 million sq. ft. in 2006 to about 500 million sq. ft. by 2013.

The current economic slowdown has had an impact in recent times, with the penetration of Organised Retail expected to come down from 16% in 2016 to about 10% to 11%[22]. While the earlier forecasts expected Organised Retail to grow at a rate of 40% till 2010, the revised estimates suggest that this could be around 35% over the same horizon[23]. In this context, it is expected that the Retail sector would touch Rs. 175,000 crore (US $ 35 billion) in revenues by 2010.

Going forward, we expect that the Organised Retail industry would grow at a CAGR of about 23% to 25% between 2008 and 2022, thereby increasing in size from Rs. 96,500 crore (US $ 19 billion) in 2008 and clocking Rs.17,36,000 crore (US $ 347 to 350 billion) in 2022.

In terms of the share of various categories, the Organised Retail pie would begin to resemble the actual share of wallet, i.e., the current skew towards a large share in apparel retail would be replaced increasingly by food and grocery.

Figure 15: Projected Size of the Organised Retail Industry



Source: IMaCS analysis

[22] Retailers Association of India and KPMG study
[23] IMaCS analysis and 'Value Retailing' report by Angel Broking

2.11.3. Projected Human Resource Requirement

The above growth requires proportionate increase in retail floor space. Typically, a department store recruits one person for every 200 sq. ft, speciality retailers employ four people per 100 sq. ft. and a hypermarket will have one person per 300 sq. ft. An additional 10% would be required for back-end operations[24]. On analysing the current levels of retail space and the projected growth, it is expected that the human resource requirement would increase from the current levels of about 0.3 million to about 17.6 million by 2022, leading to an incremental employment opportunity of about 17.3 million persons.

The total human resource requirement and the incremental requirement are shown in the table below. This projection also takes into account the changing contribution of various categories in Organised Retail and its effect on human resource requirement.

Table 11: Projected human resource requirement (in '000s)

	2008	2012	2018	2022	Incremental
Clothing, Textiles and Fashion Accessories	965	3,361	12,165	21,150	20,185
Jewellery and Watches	199	773	3,440	7,050	6,851
Footwear	255	861	3,440	7,050	6,795
Pharmaceuticals	114	454	1,909	3,525	3,412
Consumer Durables, Home Appliances and Equipments	312	1,758	11,675	28,200	27,888
Furnishings, Utensils, Furniture - Home and Office	85	703	6,057	14,100	14,015
Food and Grocery	483	3,976	32,210	88,126	87,643
Misc	426	1,499	4,813	7,050	6,624
Total	**2,838**	**13,385**	**75,709**	**176,252**	**17,341**

Source: IMaCS analysis

2.11.4. Projected profile of human resource

Based on the profile of persons employed function-wise and education-wise, the human resource requirement across these categories is depicted below.

[24] ICRIER Working Paper 222

Table 12: Projected human resource requirement – education-wise (in '000s)

	Post Graduate (MBA, etc.)	Graduate	Diploma/Vocational	12th Standard	10th Standard
Incremental human resource requirement	867	5,202	1,734	6,937	2,601
Total		17,341			

Source: IMaCS analysis

Table 13: Projected human resource requirement – function-wise

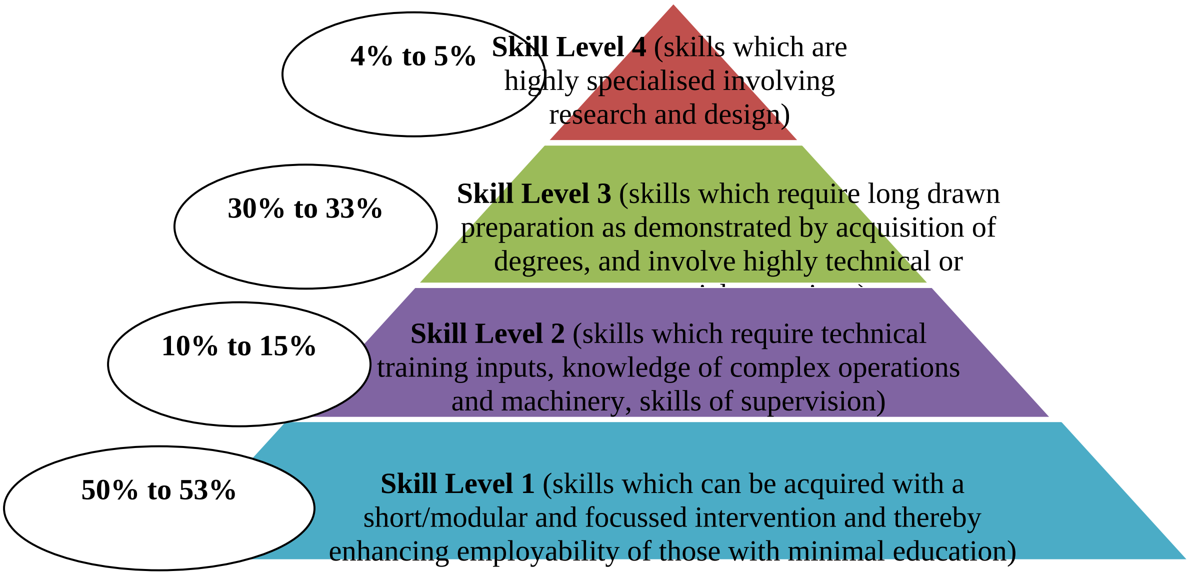
	Merchandising	Marketing	Store Operations	Others (Purchase, logistics, admin, etc.)
Incremental human resource requirement	694	1,387	13,179	2,081
Total	17,341			

Source: IMaCS analysis

2.11.5. Skill Pyramid in the Organised Retail Industry

Given that the industry would required a varied profile of skill sets, the following figure presents an overview of the profile of skill requirements as derived from human resource requirements across different sectors of the Organised Retail Industry.

Figure 16: Skill Pyramid for the Organised Retail



Source: Industry inputs, IMaCS analysis

The skill pyramid, in summary, captures where the Organised Retail Industry stands relatively in terms of skills (a function of activity, educational requirements, and amount of 'preparatory' time required to inculcate a specific skill) as compared to all other industries.

2.12. Focus areas for NSDC

As can be observed from the Skill Pyramid, the Organised Retail industry has a large proportion of the incremental human resource requirement arising at Skill level 1 and 3.

Accordingly, we arrive at the following broad possible focus areas for NSDC for skill building in the Organised Retail sector.

Table 14: Possible focus areas for skill building

Skill set	Incremental human resource requirement (in million)	% of Organised Retail demand
Store-operations – basic formats/categories to advanced formats/categories – with specific emphasis on apparel retail, technology and lifestyle retail, generic/Food and Grocery retail. Entry level training for specific product categories, company specific training hold potential.	13.2	76%
Merchandising and Back-room operations – purchase/logistics	1.2	7%

Source: IMaCS analysis

The above skills sets account for over 80% of the incremental human resource requirement between themselves. NSDC can focus on the above mentioned areas, apart from other possible areas depending on the benefit proposition of the skill building activity.

This report has been prepared by **ICRA Management Consulting Services Limited (IMaCS).**

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- Insight into different programmes and organisational processes.
- Ability to carry out economic analysis, build quantitative and financial models to project future performance and identify imperatives.
- Ability to identify the various types of risks and suggest appropriate strategies to mitigate the same.

The Education and Skills practice at IMaCS focusses on identifying skill gaps, mapping future skill requirements, and formulating strategies to address them. Our service offerings encompass diagnosis, design and implementation of education and skill development interventions for government and private sector.

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