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GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



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National
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Transforming the skill landscape

Human Resource and Skill Requirements in the Retail Sector

(2013-17, 2017-22)



cutting through complexity

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Narayanan Ramaswamy

Head – Education Advisory

KPMG India

(+91) 44 3914 5208

Email: narayanar@kpmg.com

Madhavan Vilvarayanallur

Director – Education

Advisory, KPMG India

(+91) 44 39145286

Email: vmadhavan@kpmg.com

Gaurav Kumar

Associate Director – Education

Advisory, KPMG India

(+91) 124 3345203

Email: gauravkumar1@kpmg.com

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We would like to thank all NSDC's industry and training partners for their active participation. The success of the study has been possible through their collaborative efforts.

In addition, we convey our gratitude to all those who have, in some way or other, contributed towards the successful completion of this study.

Executive Summary

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

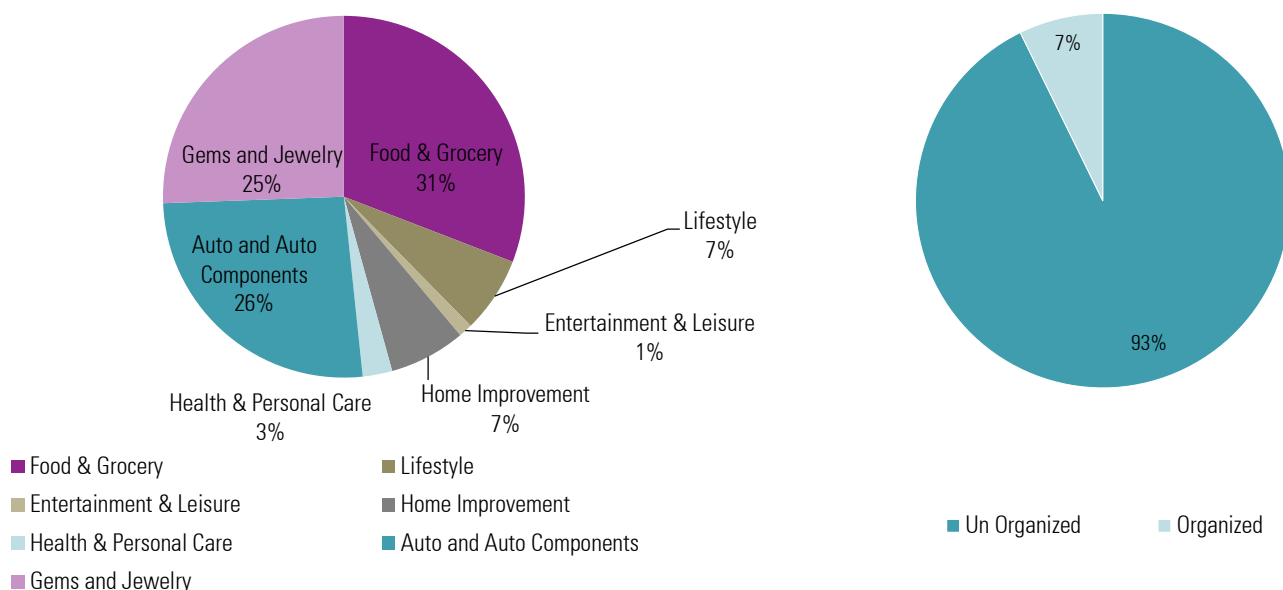
- The US apparel retailer is planning to invest in opening close to 35 stores by 2018 in India. For this, it plans to invest INR 305.42 Crores over the next few years.

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).
- .

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
Provide long term benefits to formalize the employment and to reduce attrition at various levels	<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
Introduction of retail courses to train individuals through self help groups	<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
Need to introduce domain specific training and standardize the curriculum in line with NSQF levels	<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
Align captive training initiatives with SSC Assessment and Certification	<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
Increase supply of quality trainers for the industry	<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

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Abbreviations

CAGR	Compound Annual Growth Rate
CII	Confederation of Indian Industry
CoE	Centre for Excellence
FGD	Focus Group Discussion
FMCG	Fast Moving Consumer Goods
FY	Financial Year
GDP	Gross Domestic Product
HR	Human Resource
IT	Information Technology
ITI	Industrial Training Institute
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NGO	Non Government Organization
no.	Number
NSDC	National Skill Development Corporation
SME	Small and Medium Enterprises
sq	Square
SSI	Small Scale Industry
VTP	Vocational Training Provider

Context and approach

Brief background	<p>NSDC had conducted sector-wise skill gap studies for 19 high priority sectors in 2008–09 .</p> <ul style="list-style-type: none"> ▪ KPMG has been engaged as a consultant to help evaluate the skill gap across 25 sectors and develop actionable recommendations for its stakeholders. ▪ Mandate includes sector and sub-sector level analysis, demand-supply projection, estimation of incremental man-power requirement between 2013-2017 and 2017-2022, identification of key-employment clusters, and SWOT analysis of each sector ▪ Study also aims to take qualitative insights from stakeholders on enablers and challenges for each sector, way forward in terms of specific policy level actionable recommendations,
Inclusions over the previous study	<ul style="list-style-type: none"> ▪ Study led by industry – Sector Skill Councils and a panel of professionals from different sub-sectors were consulted for their inputs on industry trends, key takeaways in terms of skill requirement, qualitative insights to understand specific interventions required for each sector and to validate the quantitative results and recommendations ▪ 6 sectors were added to the list of NSDC priority sectors for studying the skill gaps <p>Updated study also includes</p> <ul style="list-style-type: none"> ▪ Identification of top 20 job-roles in each sector, case studies around good training practices, sub-sector level indicators and growth factors ▪ Study also includes understanding of existing training infrastructure, work-force characteristics and employment clusters, ▪ Macro economic factors, central and state governments policies and their envisaged impact ▪ Synchronisation of the sector wise demand from the district level skill gap studies ▪ Recommendations for key stakeholders - Industry, NSDC, Training organizations and Government ▪ Environment scans every year till 2015-16 including SWOT analysis for the sector

Industry Classification

Retail Sector in National Industrial Classification (NIC) 2008

Section	G : Wholesale and retail trade; repair of motor vehicles and motorcycles
Division	47 : Retail trade, except of motor vehicles and motorcycles
Group (s)	471 – 479, excluding 473

Division 47: Retail trade, except of motor vehicles and motorcycles

471 Retail sale in non-specialized stores

4711 Retail sale in non-specialized stores with food, beverages or tobacco predominating

47110 Retail sale in non-specialized stores with food, beverages or tobacco predominating.

4719 Other retail sale in non-specialized stores

47190 Other retail sale in non-specialized stores

472 Retail sale of food, beverages and tobacco in specialized stores

4721 Retail sale of food in specialized stores

47211 Retail sale of cereals and pulses, tea, coffee, spices and flour

47212 Retail sale of fresh or preserved fruit and vegetables

47213 Retail sale of meat, meat products, poultry products, fish, other seafood and products thereof

47214 Retail sale of bakery products, dairy products and eggs

47215 Retail sale of sugar confectionery and sweetmeat

47219 Retail sale of other food products; n.e.c.

4722 Retail sale of beverages in specialized stores

47221 Retail sale of alcoholic beverages not consumed on the spot

47222 Retail sale of non-alcoholic beverages including ice-cream not for consumption on the premises

4723 Retail sale of tobacco products in specialized stores

47230 Retail sale of tobacco products in specialized stores

Division 47: Retail trade, except of motor vehicles and motorcycles

473 Retail sale of automotive fuel in specialized stores

4730 Retail sale of automotive fuel in specialized stores	47300 Retail sale of automotive fuel in specialized stores [includes the activity of petrol filling stations].
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474 Retail sale of information and communications equipment in specialized stores

4741 Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores	47411 Retail sale of computers and computer peripherals
	47412 Retail sale of video games
	47413 Retail sale of non-customized software
	47414 Retail sale of telecommunication equipment
4742 Retail sale of audio and video equipment in specialized stores	47420 Retail sale of audio and video equipment in specialized stores

475 Retail sale of other household equipment in specialized stores

4751 Retail sale of textiles in specialized stores	47510 Retail sale of textiles in specialized stores
4752 Retail sale of hardware, paints and glass in specialized stores	47521 Retail sale of building material such as bricks, wood, sanitary equipment
	47522 Retail sale of hardware including paints, varnishes and lacquers and do-it yourself materials and equipments
	47523 Retail sale of glass
4753 Retail sale of carpets, rugs, wall and floor coverings in specialized stores	47531 Retail sale of carpets, rugs, curtains and net curtains
	47532 Retail sale of wallpaper and floor coverings

Division 47: Retail trade, except of motor vehicles and motorcycles

475 Retail sale of other household equipment in specialized stores

4759 Retail sale of electrical household appliances, furniture, lighting equipment and other household articles in specialized stores

47591 Retail sale of household furniture

47592 Retail sale of household utensils and cutlery, crockery, glassware, china and pottery

47593 Retail sale of gas stoves, cooking/kitchen appliances

47594 Retail sale of refrigerators, washing machines and other electrical/electronic household goods

47595 Retail sale of musical instruments

47599 Retail sale of other household appliances n.e.c. (security systems, such as locking devices, safes, and vaults, without installation or maintenance services etc.. , wooden, cork and wickerwork goods, sewing and knitting machine and other household utensils and durables n.e.c.)

476 Retail sale of cultural and recreation goods in specialized stores

4761 Retail sale of books, newspapers and stationary in specialized stores

47611 Retail sale of books of all kinds

47612 Retail sale of newspapers and magazines

47613 Retail sale of stationery office supplies such as pens, pencils, paper etc..

4762 Retail sale of music and video recordings in specialized stores

47620 Retail sale of music and video recordings in specialized stores

4763 Retail sale of sporting equipment in specialized stores

This class includes retail sale of sports goods, fishing gear, camping goods, boats and bicycles

47630 Retail sale of sporting equipment in specialized stores

4764 Retail sale of games and toys in specialized stores

47640 Retail sale of games and toys in specialized stores

Division 47: Retail trade, except of motor vehicles and motorcycles

477 Retail sale of other goods in specialized stores

4771 Retail sale of clothing, footwear and leather articles in specialized stores

47711 Retail sale of readymade garments, hosiery goods, other articles of clothing and clothing accessories such as gloves, ties, braces etc..

47712 Retail sale of articles of fur and artificial fur

47713 Retail sale of footwear

47714 Retail sale of leather goods and travel accessories of leather and leather substitutes

4772 Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores

47721 Retail sale of pharmaceuticals, medical and orthopedic goods and toilet articles

47722 Retail sale of perfumery and cosmetic articles

4773 Other retail sale of new goods in specialized stores

47731 Retail sale of photographic, optical and precision equipment

47732 Retail sale of watches and clocks

47733 Retail sale of jewellery and imitation jewellery

47734 Retail sale of flowers, plants, pet animals and pet food

47735 Retail sale of souvenirs, craftwork and religious articles, stamps and coins

47736 Retail sale of household fuel oil, bottled gas, coal and fuel wood

47737 Retail sale of seeds, fertilisers, pesticides, machinery equipments and hand tools

47738 Activities of commercial art galleries

47739 Other retail sale of new goods in specialized stores; n.e.c (weapons and ammunition, non food products)

Division 47: Retail trade, except of motor vehicles and motorcycles

477 Retail sale of other goods in specialized stores

4774 Retail sale of second-hand goods

47740 Retail sale of second-hand goods

478 Retail sale via stalls and markets

4781 Retail sale via stalls and markets of food, beverages and tobacco products

47810 Retail sale via stalls and markets of food, beverages and tobacco products

4782 Retail sale via stalls and markets of textiles, clothing and footwear

47820 Retail sale via stalls and markets of textiles, clothing and footwear

4789 Retail sale via stalls and markets of other goods

47890 Retail sale via stalls and markets of other goods

479 Retail trade not in stores, stalls or markets

4791 Retail sale via mail order houses or via Internet

47911 Retail sale via mail order houses

47912 Retail sale via e-commerce

4799 Other retail sale not in stores, stalls or markets

This class includes retail sale of any kind of product in any way that is not included in previous classes (by direct sales or door-to-door sales persons, through vending machines etc.), direct selling of fuel (heating oil, fire wood etc.), delivered directly to the customers premises, activities of non-store auctions (retail), retail sale by (non-store) commission agents

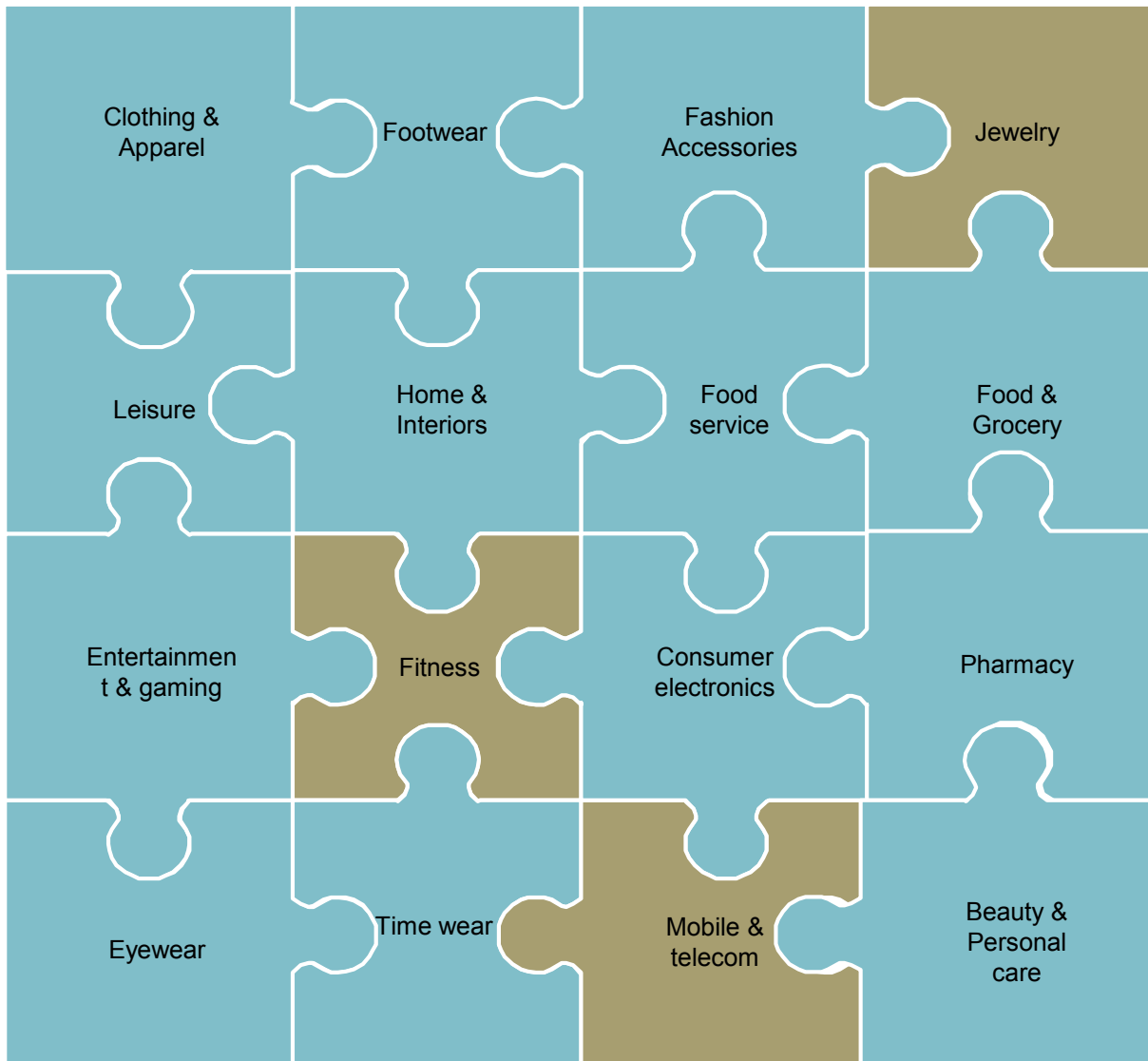
This class excludes:

- delivery of products by stores, see groups 471-477

47990 Other retail sale not in stores, stalls or markets

Industry Classification

The retail sector is divided into the following sub-sectors:



Industry Classification

However, considering the scope of the study this report will classify the aforementioned groups in the following sub-segments

Food and Grocery

Includes grocery, dairy, beverages, Ready-to-eat items, meat, fish, egg, bakery, fruits and vegetables. This sector also comprises of foodservices that includes dhabas, restaurants, kiosks, express counters, food stalls, ice cream parlors, fast-food joints, casual and fine dines, juice bars etc..

Lifestyle

Includes apparel, fabrics, footwear, time wear, eyewear and fashion accessories such as ties, handkerchiefs, socks, belts, caps, wallets, scarves, mufflers, fashion ornaments, hair accessories, hand bags, tie-pins and cufflinks. It also includes mobile handsets and related accessories like batteries, chargers, screens, mobile covers, etc..

Entertainment and Leisure

Includes entertainment centers such as multiplexes, cinema theaters and gaming zones/parlors. Leisure includes music, books, toys, gifts, and stationery items

Home Improvement

Includes Consumer electronics that consists of TV, personal computers, laptops, IT accessories, kitchen appliances, home appliances, home entertainment and DVD players. It also includes furniture, furnishings and interiors

Health and Personal care

Includes the pharmacy market consisting of prescribed/generic medicines and related FMCG products sold from pharmacy retail outlets. It also includes beauty and personal care products consisting of hair care, skin care, cosmetics, fragrances and other related personal –care products.

Gems and Jewelry

Includes Diamond processing, Gemstone processing, Cast and diamond set jewellery manufacturing, Handmade gold and gem set jewellery manufacturing and Jewellery Retailing

Auto and Auto Components

Includes passenger cars, 2 wheelers, 3 wheelers and commercial vehicles under the auto sector and engine parts, powertrain parts, suspension and braking parts, lighting and other equipment and accessories under the auto-components sector.

Food Services- QSRs

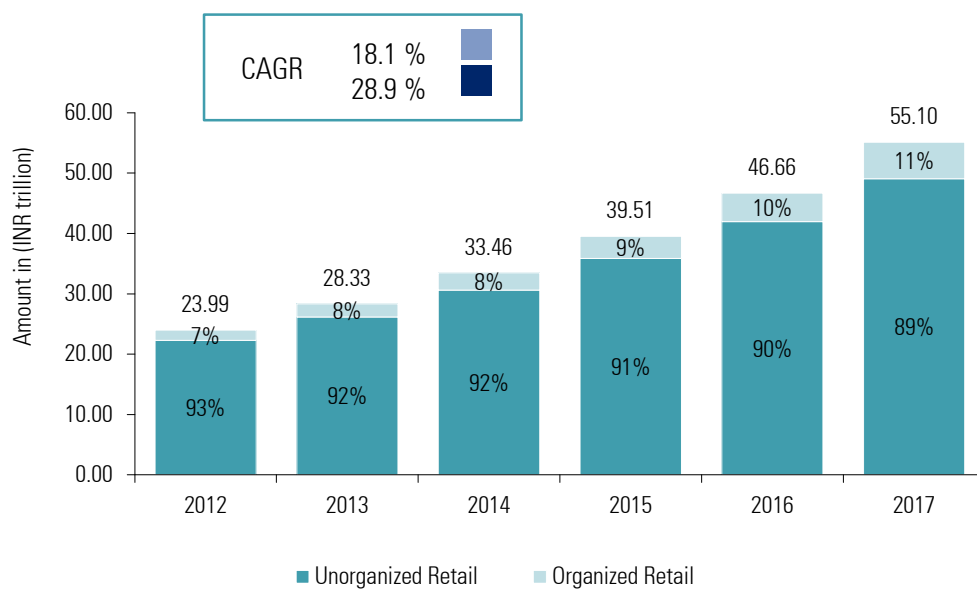
Include fast-food chains, quick service restaurants, food courts.

Industry Overview

Industry Overview

The Indian retail industry has been growing in a steady pace with a strong CAGR of 18 percent over 2013-17

Indian Retail industry Market size (INR Trillion) and share of organized retail using CAGR of 2012- 2017



Source: India Retail Report 2013, KPMG analysis

- 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.
- Penetration of organized players is estimated to increase to 11 percent from the current level of 7 percent with the organized segment projected to grow at ~29 percent CAGR.
- 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.

Industry Overview

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

Sector-specific indicators (2013)

Retail market size	INR 28.3 Lakh Crores
Organized Retail market size	INR 2.19 Lakh Crores
Penetration of Organized Retail	7.74 % of overall industry
Retail Sector Growth Rate (2013-15)	18.1% CAGR
Organized Retail Sector Growth Rate (2013-15)	28.9% CAGR

Sources: KPMG analysis Retail Sector Profile, IBEF website

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.

Easy consumer credit

- Easy credit availability with privileges such as quick and speedy loans, loans over phones and increasing use of credit cards are factors that have facilitated easy payments, thus driving organized retail sales in India.

Advantage organized retail

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

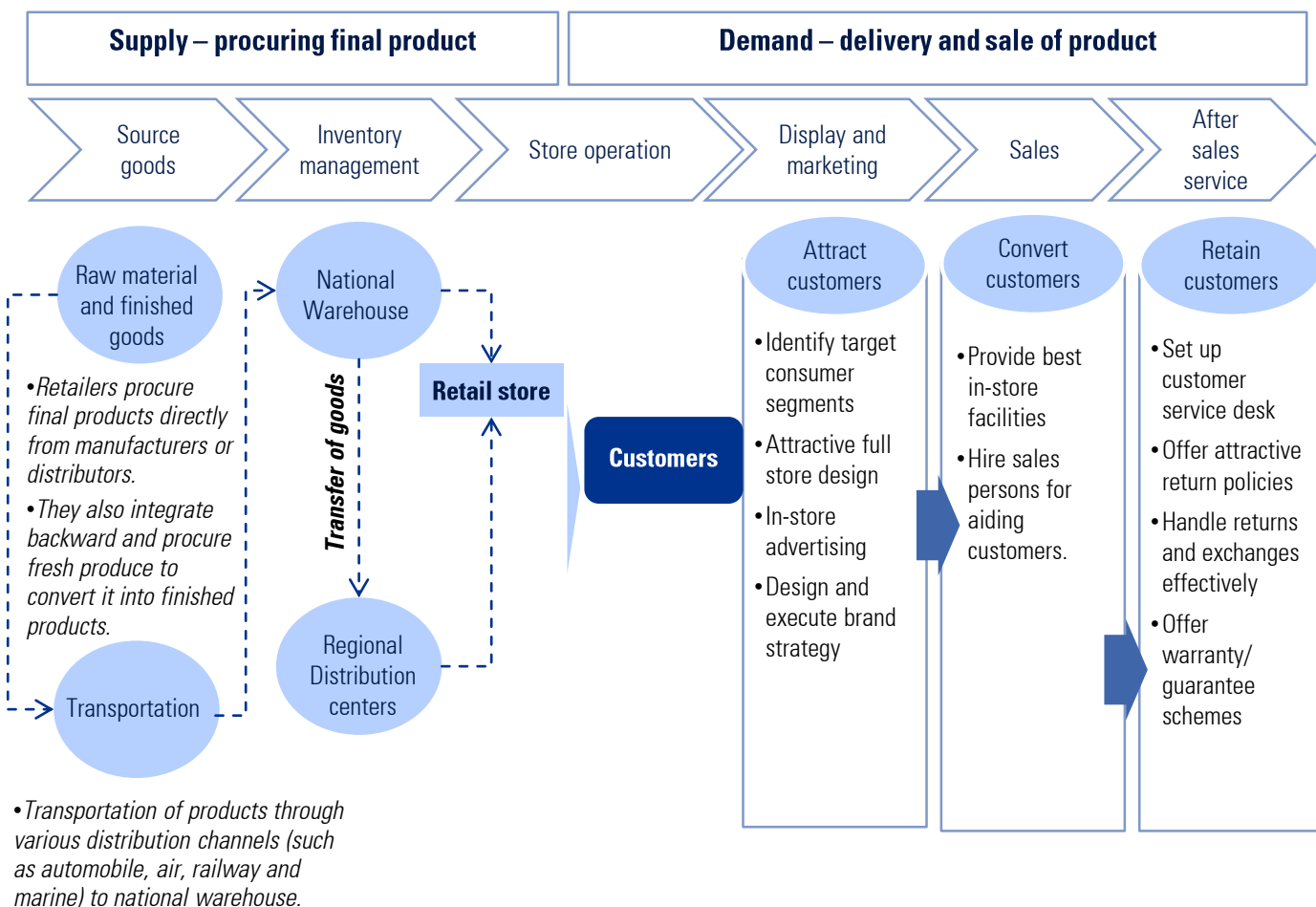
Policy support

- 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

Industry Overview

The effective value chain in organized retail has gained prominence in order to develop cost advantage

Value-chain analysis — food and non-food retailers



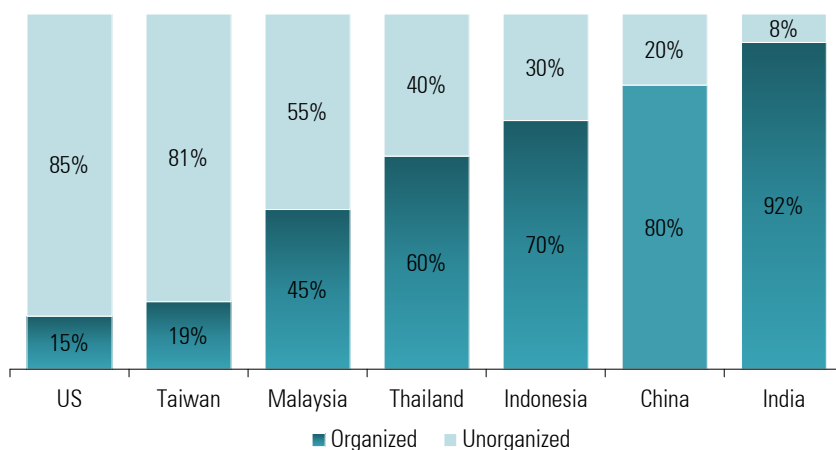
- The value chain across various food and non-food categories such as lifestyle, food and grocery is broadly the same except for differences emerging in the production techniques and intermediaries present.
- The food and non-food retail value chain (organized) is primarily 'buyer-driven'. In a buyer-driven chain, profits for retailers come from high-value research, sourcing, design, sales and marketing. Retailers act as strategic brokers in linking manufacturers and traders (as all the activities undertaken by manufacturers and the traders are done keeping retailers interest as priority).
- With increasing competition, it has become vital for retailers to develop global sourcing capabilities to gain cost advantage.
- A considerable portion of this value chain (production, logistics, procuring and retailing) is unorganized with limited resources to invest in training and development leading to considerable skill gaps in key positions across the sector.

Source: India Retail Report 2013, KPMG analysis, CRISIL report, November 2013

Global comparison

- Organized retail penetration, in countries such as Malaysia, Thailand, Indonesia and China is ahead of India.
- In terms of talent, India ranks amongst the top countries globally, with low costs emerging as a key advantage.
- Significant opportunities exist to improve talent supply by investing in skill training infrastructure for the sector

Organized retail penetration (%)



Overall retail attractiveness

- India has been losing overall attractiveness during 2012-13 on account of reductions in spending, general economic slowdown coupled with policy concerns over approval of FDI in multi-brand retail across several states
- This is likely to cause concern for foreign companies planning to enter India.

Country	Overall retail development index (2013)	Overall retail development index (2013)
Brazil	1	1
Chile	2	2
Uruguay	3	4
China	4	3
UAE	5	7
Turkey	6	13
Mongolia	7	9
Georgia	8	6
Kuwait	9	12
Armenia	10	--
India	14	5

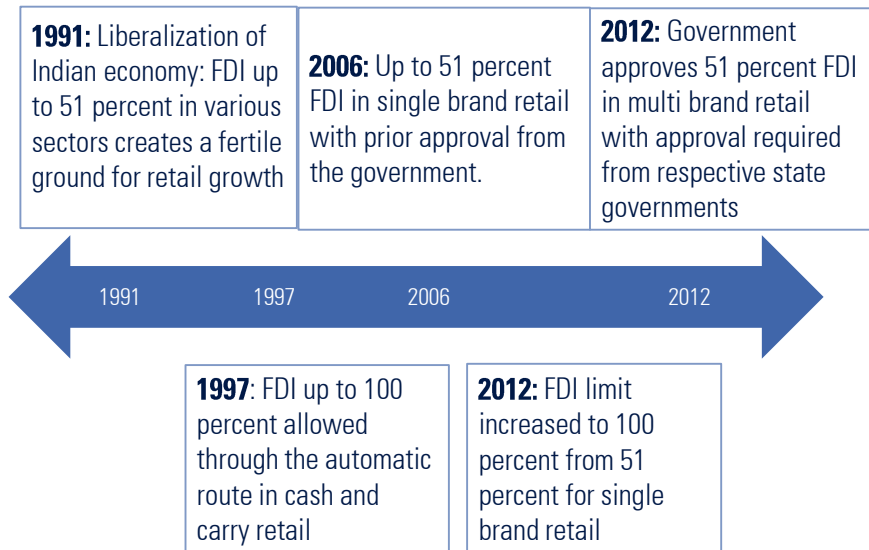
Source: India Retail Report 2013, KPMG analysis; Gyan Analytics Report

Industry Overview

Key policies

Evolution of retail policy

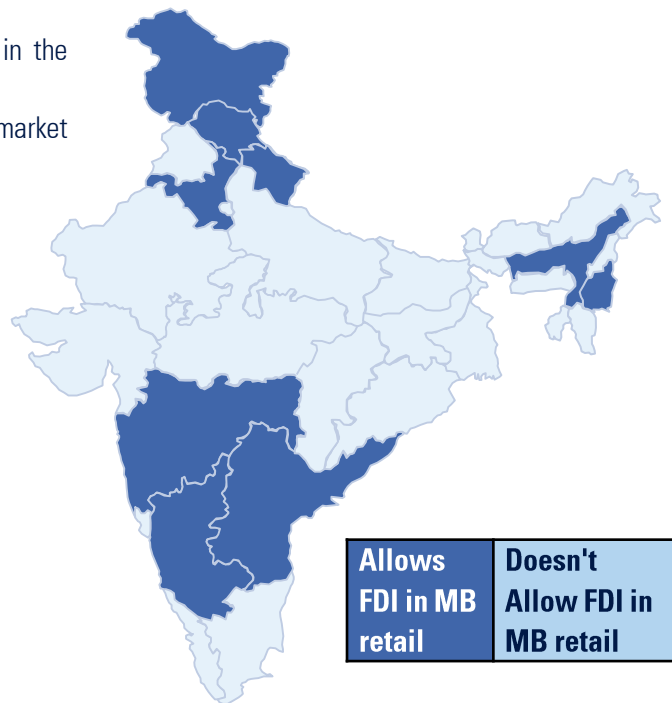
- Retail policy in India has seen a calibrated liberalization.
- Under the federal structure of Indian constitution, retail is a state subject and various states have different policies with respect to retail and ancillary sectors.
- Key ancillary sectors such as real estate, on which retail growth is dependent also fall under the state purview.



State-wise policy on FDI in multi brand retail

- Policy on FDI in multi brand (MB) retail varies widely across states and is highly volatile with states such as Rajasthan and Delhi changing stance on the policy after assembly elections.
- This does not augur well for inviting foreign investments in the sector
- Moreover, any foreign investor is likely to look at India as a market as a whole rather than targeting states individually.

Status of MB FDI in different states	
Allows FDI in Retail	Doesn't Allow FDI in Retail
Andhra Pradesh	West Bengal
Assam	Gujarat
Haryana	Bihar
Jammu and Kashmir	Tamil Nadu
Maharashtra	Kerala
Manipur	Madhya Pradesh
Uttarakhand	Tripura
Daman & Diu	Odisha (Orissa)
Dadra & Nagar Haveli	Delhi
Karnataka	Rajasthan



Source: India Retail Report 2013, KPMG analysis, State wise location of retail stores, Business Standard website

Tax regime

- There are multiple taxes at the central, state and local levels for governing the retail sector. Typically, every company in the Indian retail industry has to pay the following taxes at some point during the entire supply chain.
- Central government imposes excise duties, custom duties, service taxes, central value added tax (cenvat), etc.. State government imposes taxes such as state value-added tax and entry tax. Municipalities or local authorities impose local levies, such as Octroi or local area taxes.
- Present tax regime is likely to be replaced by a uniform tax rate country-wide called goods and service tax (GST)
- With the introduction of GST in India, a number of central as well as state taxes will get subsumed into the GST. It is likely to be a big boon for the retail sector, since it is expected to reduce tax-related complexities of doing business.

Other related policies

- Labor laws in India are in line with higher liberalization, with the government relaxing certain norms or permitting flexibility in the laws for emerging retail hubs such as Bangalore and Hyderabad
- Laws such as restriction on working hours, mandatory closure of the store once a week, etc., are being modified to suit the modern retailing context, while ensuring that there is no adverse impact on employees.
- Solutions to the problems related to lease rentals and pro-tenancy laws, which significantly deter international investors, are being pursued by the government, with initiatives such as special economic zones (SEZs) and allotment of government-controlled land.
- Government is encouraging contract farming, as it provides incentives to both farmers and corporate retailers, with the former gaining access to the larger market and the latter to a direct raw material procurement source at competitive prices
- In several states, the government has modified the existing Agricultural Produce Market Committee (APMC) Act that originally restricted procurement of agricultural products from farmers.

Some key policy hurdles

- Lack of industry status for retail industry deters credit flow from various institutions increasing cost of capital.
- Absence of single window clearance for setting up retail operations is a strong deterrent, especially for foreign players. Approximately 40 licenses are required to setup retail operations which often results in considerable overheads and delays.
- Incentives are also needed to spur growth in ancillary sector such as cold storage, warehousing, retail real estate, transport, etc.. which continue to limit retailers growth into smaller cities and rural India.
- Difficulty in laying off employees often leads to retailers preferring the partial employment model over full time employment – which often results in little or no investments in training and human resource development.

Key recent investments and projects planned

Player	Investment details
IKEA	<ul style="list-style-type: none"> IKEA, the global retailer in home furnishing space, has bagged the approval of Indian government for investing INR105 billion for setting up home furnishing stores in India in May 2013. IKEA plans to open 10 stores in India in the first 10 years, followed by 15 more. It is targeting states such as Haryana, Andhra Pradesh, Maharashtra and Karnataka for setting up its stores.
Decathlon	<ul style="list-style-type: none"> French sports goods retailer planning to enter the Indian retail space through single brand stores. It is already present in India through the cash and carry format.
Richemont	<ul style="list-style-type: none"> 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
Pavers England	<ul style="list-style-type: none"> Pavers England, the UK based footwear retailer was one of the first players to enter India after relaxation in the single brand FDI regulations. In the initial stages, it plans to invest INR982.6 million in India.
Fossil Inc.	<ul style="list-style-type: none"> US based accessories retailer Fossil Inc. plans to invest around INR 20 Crores in India.
Le Creuset	<ul style="list-style-type: none"> The French cookware retailer Le Creuset plans to open company owned outlets, shop-in-shops in hypermarkets and department stores, and franchisee operations across India. It initially entered India through the cash and carry route in Bangalore.
Forever 21	<ul style="list-style-type: none"> 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.

- Liberalization of single brand FDI policy has resulted in renewed interest from several foreign retailers, while lack of policy clarity and volatile stands of states on multi-brand retail has deterred any investments in the format.
- Entry of foreign single brand retailers augurs well for the Indian retail industry and is likely to result in improvement of skills of the workforce due to increasing exposure to international standards.

Industry Overview

There are several trends emerging in the industry which augurs well for growth in the industry, especially the organized segment

Shift in consumers' outlook into shopping

There has been a shift in attitude of the consumers towards consumption. Consumers have started to become more mindful of their spending instead of shopping for pure pleasure. This is done by making wish lists, shopping lists, etc.

There has been a considerable shift among consumers from the brick and mortar shopping to the online shopping. Online retail is estimated to grow to 1.4% of retail by 2015 with an increasing growth rate. Consumers are becoming more knowledgeable about products, reducing the manpower requirement and the need for physical points of contact.

Rise of online retailing

Demographic shift in population

The retail segment is characterized by discretionary spending which forms a relatively larger proportion of disposable income among youth. Therefore, retail segments such as lifestyle, entertainment, leisure, personal care, etc.. are witnessing a boost in growth

Rising income, increasing awareness among consumers in tier II and tier III cities, and lower rental/manpower costs are some of the drivers for expansion into untapped areas. For a number of organized retail players, a predominant number of new store additions have been in tier 2 and 3 cities.

Expansion beyond Tier II Cities/ Towns

Advent of International Brands

Increased presence of foreign brands in sub-sectors of the retail segment. Increased penetration of organized retail indicates scope for sales of foreign brands in India. Company owned and operated stores have stricter requirements than franchises in terms of training and experience. The trend is to give product specific training a new recruit in-house but a skill premium may be possible if reduced training requirement can be demonstrated. Customers expect salespersons to be experts in their products.

The recent decision of the government to allow 51 percent foreign direct investments (FDI) in multi-brand retail will give further thrust to retail. Investments likely to flow primarily into food & beverage and marginal increase is expected in the share of foreign retailers with more efficient supply chains and greater labor productivity.

Foreign Direct Investments

Industry Overview

SWOT analysis for the sector

Strengths	<ul style="list-style-type: none"> ▪ Favorable population demographics with increasing purchasing power of large number of aspirational consumers (middle-class, young Indians, rural population) gives India an edge among other developing countries for growth in retail investments ▪ Emerging retail formats such as malls, hyper/ supermarkets and specialty stores which provide product, service and entertainment at one place for Indian consumer ▪ Rapid growth of real-estate and Improvement in infrastructure ▪ Priority sector status for retail sector given by the central Government. Low entry costs and government incentives to promote retail investments ▪ MNCs would bring in robust practices in the industry
Weaknesses	<ul style="list-style-type: none"> ▪ Political uncertainty and regulatory requirements impacts the industry growth plans ▪ Demographic diversity within the different regions require players to often adopt a regionally customized approach to business. ▪ High real-estate and distribution cost are the obstacles for growth of retail in India ▪ Deficiency of skilled and experienced professionals especially at the middle and the senior level management along with lack of adequate infrastructure may be a problem in the medium term.
Opportunities	<ul style="list-style-type: none"> ▪ Very low penetration of organized retail in India primarily in tier II and III cities highlights huge untapped market for players ▪ Changing consumers' lifestyles with increasing awareness about products and services ▪ Increasing importance of technology, social media highlights opportunity for retailers to expand in online space ▪ Gradual liberalization of the retail sector leading to improved backward linkages ▪ Changing consumers' lifestyles with increasing awareness about products and services
Threats	<ul style="list-style-type: none"> ▪ Rigid government policies and regulations may continue to restrict the entry of new players. ▪ With the opening up of the sector, creation of enough skilled workers to cater to the demand is crucial. However, retail is not a preferred career option among young India. Career progression is a challenge as a majority of the workforce is young and expects good progression

Source: Primary interactions (Predominantly covering organized retail) , KPMG analysis

Sub-sectoral Overview

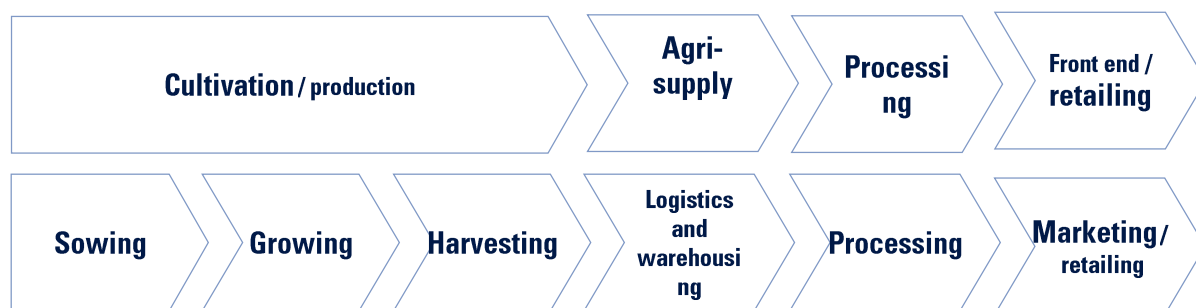
Sub-sectoral Overview

Food and grocery (F&G)

Industry Structure

- Food and grocery is the largest segment within overall retail (71 percent share by value of industry and 64 percent of the workforce) and includes retailing of products such as fresh fruits and vegetables, grocery, dairy products, ready to eat products, meat, fish, egg, staples, cereals and bakery.
- However, organized retail penetration continues to remain low at just 1.6 percent for this segment as *kiraana* or mom and pop stores and other traditional formats such as street vendors and markets continue to dominate this segment.

Value chain



- For items such as fruits, vegetables and other agricultural products (wheat, maize, rice, etc..), the produce typically passes through a number of intermediaries such as commission agents (*arthiyas* and *mashokars*) and wholesalers before reaching the food processors and retailers.
- Thus, a high degree of investments are crucial for this segment in the backend to ensure an efficient supply chain, and margins in F&G are typically lower than other sub-segments. These are some of the key reasons for lower penetration of organized retail in this segment.
- Several organized retailers have started sourcing their food supplies directly from farmers through arrangements such as contract farming. This trend is likely to grow in the coming years and entails workforce employed to have knowledge of functions across the value chain such as production, agri-inputs, etc..

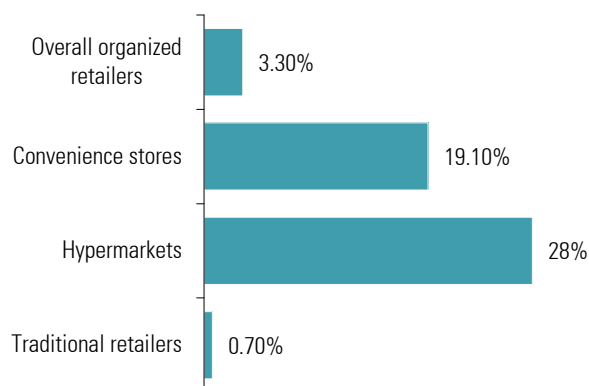
Sub-sectoral Overview

Food and grocery (F&G)

Key players and formats in grocery retail

- Key players operating in this segment include players such as Aditya Birla Group, Reliance Retail, Future group, Hyper city etc..
- Hypermarkets enable players to operate at a larger scale enabling investments at the back-end.
- Organized retailers also offer discounts and promotions through these formats to attract the value conscious middle class consumers
- However lack of real estate in metros and larger cities has also prompted these players to launch neighborhood format stores – which directly compete with traditional retailers.
- Key skills-customer relationship management and servicing, managing store assortment and merchandizing.

Growth in various modes of stores



Type	No. of Outlets (Jan 2013)
Overall organized retailers	5,689
Convenience stores	933
Hypermarkets	419
Traditional retailers	12,360,327

Key factors influencing organized F&G growth

- Growing urbanization, changing lifestyles and growing incomes has led to growth in demand of processed food categories such as RTE (Ready to Eat) products and other value added products with several organized players launching their own private label brands in the segment.
- Larger cities and metros with better infrastructure provide opportunities for urban migration leading to availability of manpower in these regions..

Source: India Retail Report 2013, KPMG analysis , CRISIL report, November 2013; Euro monitor report, July 2013

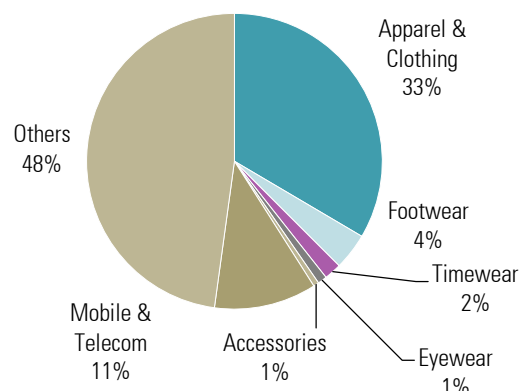
Sub-sectoral Overview

Lifestyle

Industry Structure

- Lifestyle segment is the second largest segment within overall retail (occupying 15 percent share by value) and includes retailing of products such as apparels and accessories, footwear, time wear, eye wear, jewellery and mobiles & telecom.
- In addition it also contributes to 52 percent of the overall organized segment offering tremendous growth prospects for the retailers to exploit the pull and push factors that drives organized industry in India.

Organized segment share in Lifestyle



Lifestyle – Key sub-segments

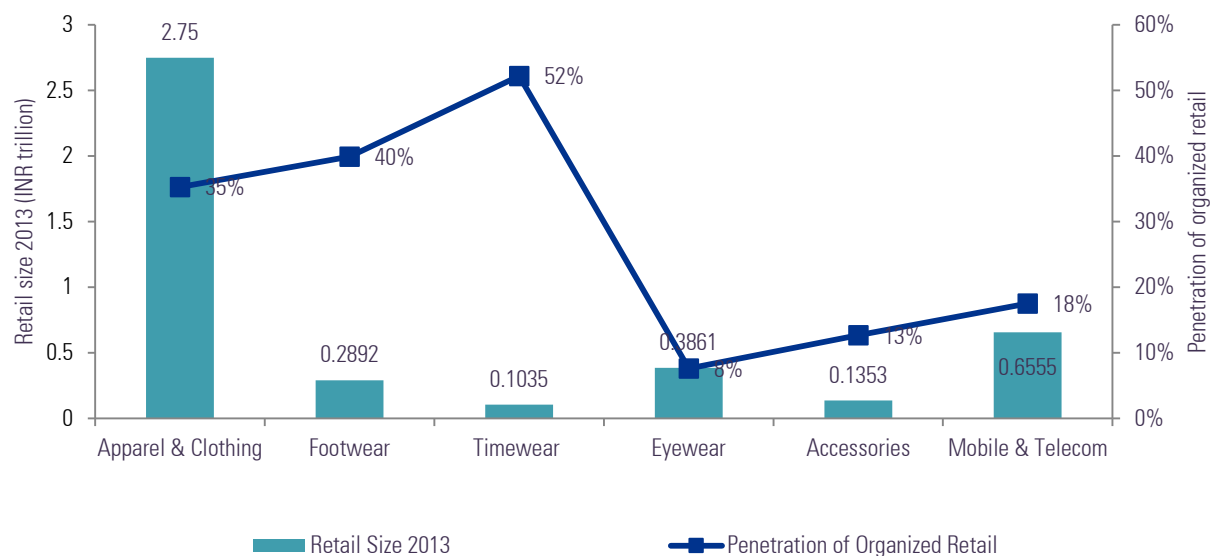
Apparel & Clothing	Apparel and clothing market in India was US\$42 billion in 2013, with ~35 percent penetration in organized retail. Despite men's segment being the bigger component till 2013, players are more optimistic about women's apparels market in the future. Knowledge of materials, stitches and ability to make suggestions for combinations are skill sets to be focused on.
Footwear	With sharp rise in fashion consciousness in Indian consumers, footwear market has been growing at 16 percent CAGR. This market is largely driven by style and looks. About 60 percent of the total market comprises of casual wear.
Time wear	The Indian time wear market has been growing at a CAGR of 14 percent. The time wear modern retail market accounted for only 2 percent of the total time wear market in 2013. Key organized brands in India include Titan, Fastrack, Ethos, Timex etc..
Eyewear	Eye wear market includes optical lenses, spectacles and fashion sunglasses. Indian eye wear market was worth US\$5.9 billion in 2013. This market has been growing at a CAGR of 15 percent. Some prominent organized eye-wear retailers in India are: GKB Opticals, Himalaya Opticals, Lawrence & Mayo, Titan Eye and Vision express. There number of optometrists needs to be increased to meet consumer demand.
Accessories	Indian fashion accessories market has been growing at 21 percent CAGR, due to a rapid spur in fashion consciousness. While the market is largely dominated by unorganized players, branded accessory players are also evolving fast in malls and branded outlets.
Mobile & telecom	With 17.5 percent contribution to modern retail, Indian mobile and telecom segment is growing at a CAGR of 13 percent. Mobiles have become a part of fashion accessories in India, with a sharp rise in habit of changing handsets frequently makes India very potential for players in this industry.

Source: India Retail Report 2013, KPMG analysis, CRISIL report, November 2013

Sub-sectoral Overview

Lifestyle

Lifestyle - segment break up by value (2013)



Key players and formats in Lifestyle retail

Sub-segments	Key players	Key formats for modern retail
Apparel & Clothing	Reliance Trends, Lifestyle, Max, Biba, M&S, Levis, Raymond, UCB, Tommy	Exclusive outlets, Shop in shops in large format stores, Online sales, departmental stores
Footwear	Bata, Metro, Reliance Footprint, Catwalk, Red tape, Reebok, Puma, Adidas	Exclusive outlets, Shop in shops in large format stores, Online sales
Time wear	Titan, Fastrack, Ethos, Timex , The Prime, Rado, Rolex, Just in Time	Exclusive outlets, Shop in shops in large format stores, Online sales
Eyewear	GKB Opticals, Himalaya Opticals, Lawrence & Mayo, Titan Eye and Vision express.	Exclusive outlets, Shop in shops in large format stores, Online sales
Accessories	Damilano, Baggit, Lavie, Accessorize, Blue and Blues, Hlghdesign	Shop in shops in large formats, departmental stores, online sales
Mobile & Telecom	The Mobile Store, Spice Hotspot, Sangeetha Mobiles, Univercell	Kiosks, Exclusive outlets, Shop in shops in large format stores, Online sales

Source: India Retail Report 2013, KPMG analysis, CRISIL report, November 2013

Sub-sectoral Overview

Leisure and entertainment

Industry Structure

- Leisure and entertainment segment in retail consists of sub-segments such as music, books, toys, gifts, stationery and gaming
- This sub-segment contributes to 5 percent of the modern retail market by value and employs around 3 percent of the sector workforce
- Based on industry interactions, the average education level of the workforce employed in the segment is higher compared to the other retail segments.
- The leisure segment, which includes music, books, toys, gifts and stationery, is estimated to be INR 34 thousand crores in 2013 with organized retail growing at a CAGR of 15-17 percent till 2015.
- This segment typically requires highly skilled workforce, knowledgeable in various genres of books and music. They are also increasingly required to use IT in their day to day operations to assist consumers in making the purchase in the stores.
- The entertainment segment is poised to grow at a CAGR of 27 percent till 2015. The overall setup for multiplexes is highly organized and better trained than single screen cinemas. Growth of this sector is highly dependent on retail real estate (malls). Growing degree of personalization being offered in this segment requires high customer orientation and excellent soft skills.
- Additionally, this is a fast evolving industry with an increasing number of game launches, a shorter product cycle, necessitating the workforce to stay up to date with the most recent trends. These are still considered niche segments within the overall retail sector and there are little or no known institutes for training workforce in the entertainment and leisure sector.

Prominent retailers in Entertainment	No. of outlets	Prominent retailers in Leisure	No. of outlets
Big Cinemas	260	Archie's	193
PVR	44	Planet M	140+
INOX	40	Ferns N Petals	140
Cinemax	39	Presto wonders	115
Satyam Cinemas	32	Woolworth's	85
DT Cinemas	29	Crossword book stores	82
Glitz Cinemas(Stargaze)	22	Music world(RPG group)	48

Source: India Retail Report 2013, KPMG analysis

Sub-sectoral Overview

Home Improvement

Industry Structure and key players

- Home improvement segment consists of Consumer Electronics (CE) and Home and Interiors (HI)
- Together, they account for nearly 7.5 percent by value and 14 percent of workforce of the overall retail segment.
- CAGR of organized retailers in this segment is likely to be 29 percent till 2015.
- Skills such as visual merchandizing, space management are important but are largely learnt on the job in the absence of any formalized courses
- CE segment in India is dominated by independent players, but has a high penetration compared to several other sectors. Organized retail segment is expected to grow at a CAGR of 26-28 percent till 2015.
- Knowledge of technical features and technologies is one of the most essential skills required for this segment.
- As the CE segments tries to capture new segments and geographies, soft skills such as regional etiquettes and ability to 'simplify' technology and hand hold new customers would be key skills required in the industry
- This sector also experiences high seasonality of demand (around festivities) for which retailers hire employees on contract basis (who may or may not be up to the mark) in terms of skills required.

Format	Key players (HI segment)
Exclusive furniture	Living Room, Durian, Furniturewala, Gautier, Kian and Godrej
Exclusive home décor and furnishings	S Kumar's Carmichael, Bombay Dyeing, Maspar, Welspun Retail and Kurl-on
Furniture, home décor and furnishings	Home Stop (Shoppers Stop), Home Center (Lifestyle) and @Home (Nilkamal)

Format	Key players (CE segment)
Exclusive brand stores	LG, Videocon, Sony, Onida and Samsung
Regional players	Discount Circuit, Vivek's, Sony Mony and Girias
National players	Croma, Vijay Sales, Next, Hyper city, Reliance Digital, Big Bazaar and Ezone

Source: India Retail Report 2013, KPMG analysis, CRISIL report, November 2013; Euro monitor report, July 2013

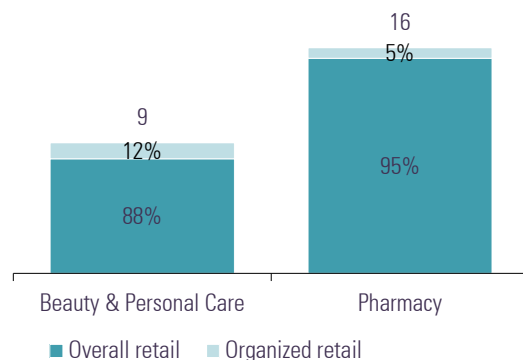
Sub-sectoral Overview

Health and personal care

Industry Structure and key players

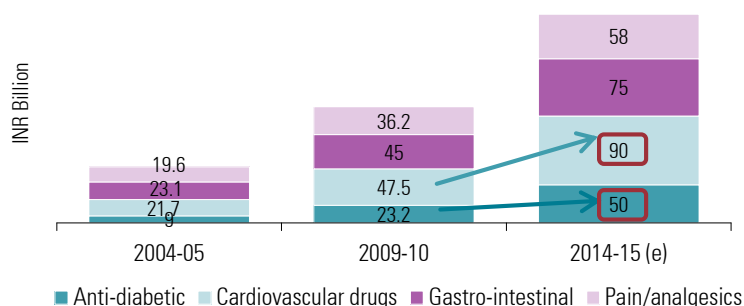
- Includes retail of pharmacy, beauty and personal care products
- Organized retail accounts for just 5 percent of total pharmacy retail and is expected to grow at 19 percent CAGR till 2015.
- Segment has been growing due to entry of several foreign players in the Indian market and increased health consciousness and preventive measures
- Increasing demand for specialized products for medical conditions such as diabetes, neurology and cardio-vascular requires specialized knowledge for workforce

Segment share by value INR Crores (2013)



- Beauty and personal care market consists of sub-segments such as hair care, skin care, cosmetics, fragrances and other related services
- Organized market expected to grow at a CAGR of 27 percent till 2015
- Non traditional segments such as men's grooming products are also fast gaining traction and would require workforce to be specifically trained in these products.
- Growth of this segment, including the salon segment in smaller cities require staff to be cognizant of regional preferences.

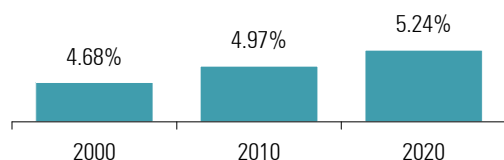
Projected spends on therapeutics



Key players (beauty and personal care segment)

VLCC, MAC Cosmetics, New U, Lakme, The Body Shop, Health and Glow, Kaya Skin Clinic and Enrich

Proportion of health in overall consumption spends



Key players (pharmacy segment)

Apollo Pharmacy, Himalaya, Lifeline Pharmacy, Reliance Wellness, Religare, 98.4, Guardian Pharmacy, MedPlus and Trust Chemists

Source: India Retail Report 2013, KPMG analysis, CRISIL report, November 2013; Businessworld Marketing Whitebook 2012-13

Sub-sectoral Overview

Gems and Jewellery

Industry Structure and key players

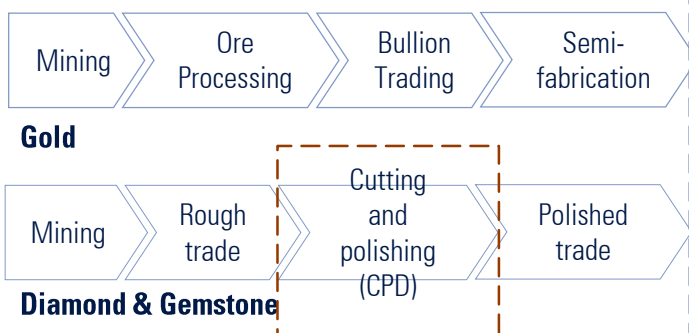
Given the role of jewellery as both a consumption and investment medium, and the population numbers in rural areas, local and independent stores account for almost four-fifths of the total retail outlets in India. There exist national and regional players who are trying to expand their footprint in the country through multiple avenues such as associating with local jewellers and multi-product retailer points of sales

Organization Structure

Function	Job Roles			
Inventory Management	Labeller	Inventory Manager		
Sales	Cashier	Jewellery RSA - Basic	Jewellery Sales - Advanced	Floor Manager
Product Repairing/ Re-making	Goldsmith (repairs)	Assessor		
Store Management	Store Manager	Merchandise Incharge		
Marketing	Marketing Executives			
Support	Security	House keeping		
Management	Senior Manager	Promoter		

Gems & Jewellery Value Chain

Mining, processing and trading



Manufacturing

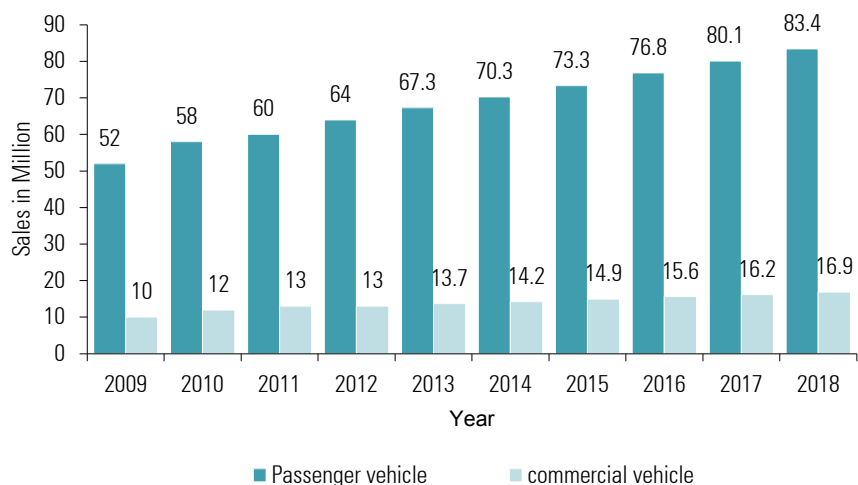
Retailing



Sub-sectoral Overview

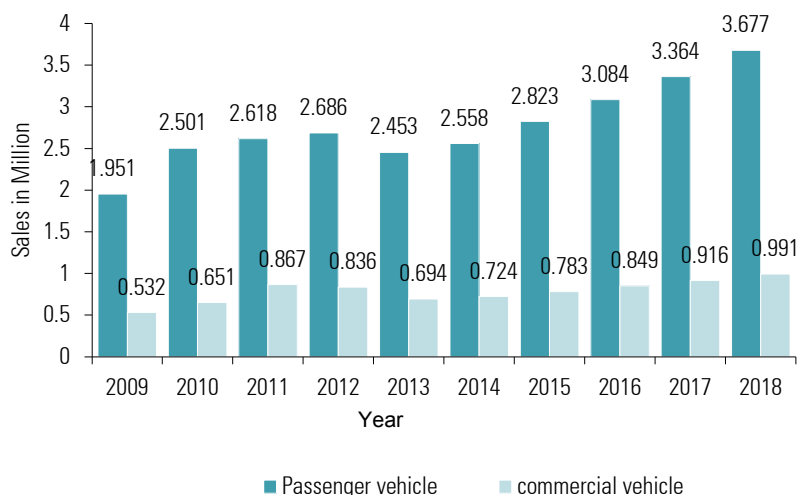
Auto and auto components

Global Sales



- India and other BRIC nations would emerge as major manufacturing hubs due to availability of cheap labour and other favorable investing environment.
- More companies are looking at India as a manufacturing base and shifting their operations from Europe to India, and other south east Asian countries
- A lot of global auto component manufacturers also have either manufacturing presence in India either through joint ventures or otherwise. A good number of auto component manufacturers have a focus on exports as excise duty is very less in complete knocked down (CKD) units.
- The sales in Indian market is expected to grow in the coming years. The economist expects the automotive industry to grow at a rate of around 8.5%.
- The sales growth is not uniform in all sub segments. 2 wheeler segment is expected to grow at a rate of 11% CAGR. Passenger car and commercial vehicles have much less growth expectation at 8.6% and 8.1%.

India Sales



Source: Economics Intelligence Unit, The Economist, 2014, KPMG Analysis

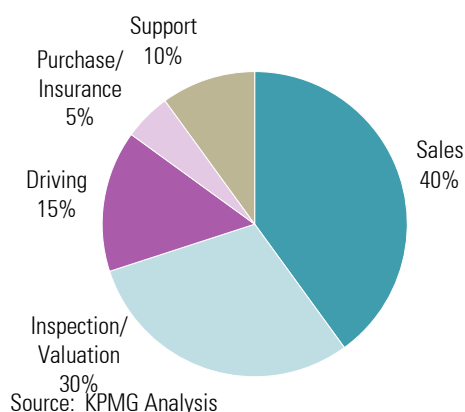
Sub-sectoral Overview

Auto and auto components

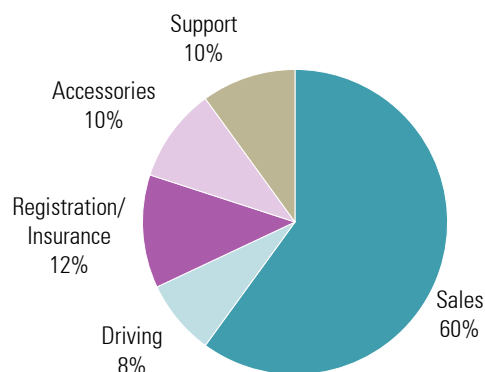
Key Roles	Skill Requirements	Skill Gaps
Sales and Marketing (Auto OEM)	A Sales and Marketing personnel should be able to identify customer preferences and convey it to new product designers. They should be able to engage with various channel partners to ensure good sales of the product. Ability to understand regional requirements and technical knowhow of vehicles is required. He / She should be able to maintain good relationship with dealers and take necessary steps for expansion	Lack of knowledge of customers in a particular locality results in spending the marketing budget towards targeting the wrong customer segment. Also, inadequate forecasting accuracy results in inventory buildup at the dealer end. Old vehicles are sold at significantly less margin. Sometimes, non availability of vehicles is also a concern as they are unable to provide in depth insights about future demand of variants.

Workforce distributions across functions

Dealerships (Used Cars)

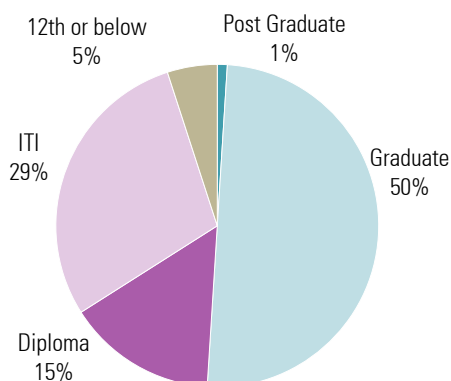


Dealership (New Sales)

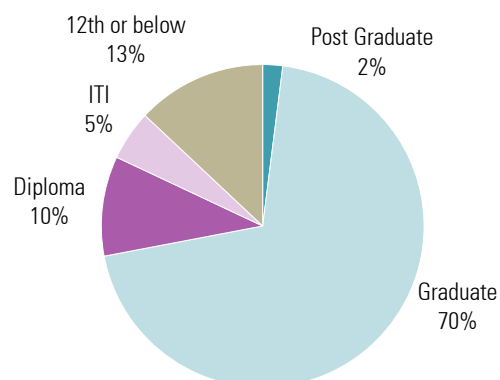


Education qualifications in sub-sectors

Dealerships (Used Cars)



Dealerships (New Sales)



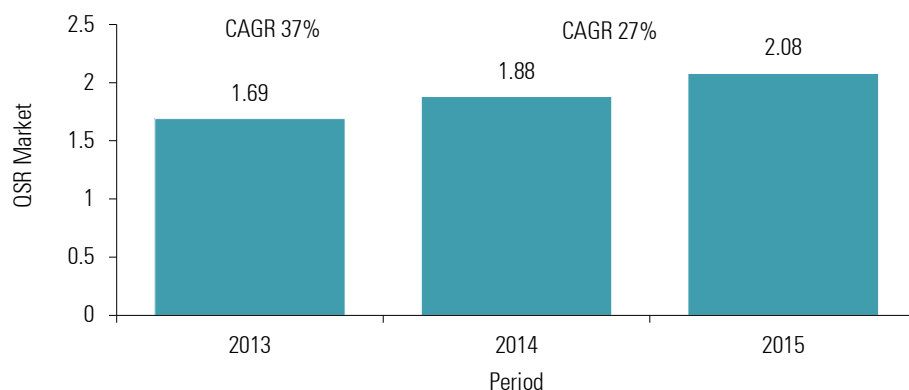
Source: KPMG Analysis

Sub-sectoral Overview

Food Services

- Organized fast-food chains, also called quick service restaurants or QSRs, have bucked the economic slowdown and are growing by leaps and bounds.
- As a result, CRISIL Research estimates the QSR market will more than double to INR 70 billion over the next three years from INR 34 billion in 2012-13.

Growth in Indian QSR Market



Source: CRISIL Research

- Per-household spends on organized fast food or QSRs for the tier I and tier II markets account for about 85-90 per cent of the QSR industry's revenues.
- On an average, a tier I middle class household spends about INR 3,700 per annum for eating at QSRs
- Annual spends on QSRs by middle-class households in Tier II areas are expected to surge by 150 per cent to INR 3,750 per annum over the next three years
- Same store sales, which have been growing at a robust 20-25 per cent over the past few years, are expected to slow down significantly in the near term.
- Growth in same store sales is expected to come from a 5-6 per cent hike in prices (in line with the typical hikes made every year) and a 3-5 per cent increase in the number of transactions at existing stores.

	QSR spend (in Rs billion)	Total middle class households (in million)	QSR spend per household (per annum)
Tier I	25.5	6.8	Rs 3700
Tier II	5.1	3.4	Rs 1500

Source: CRISIL Research, KPMG analysis

Geographical Clusters

Sub-sectoral Overview

Key clusters are largely concentrated in metros and larger cities, while in rural India they are spread across

Geographic distribution of the retail sector



Key retail clusters		
City cluster	Population (2011)	Population growth rate (2001-2011) in percent
Greater Mumbai	19,130,565	11.6
Delhi NCR	15,828,138	22.7
Bangalore	8,425,970	54.9
Hyderabad	6,809,970	87.2
Kolkata	9,209,301	4.9
Chennai	5,751,981	12.9
Ahmedabad – Gandhinagar	5,778,884	55.5
Pune – Pimpri – Chinchwad	4,844,790	36.4
Surat	4,462,002	83.3
Jaipur	3,073,350	32.3

- India's retail clusters are directly linked to the presence of large and concentrated consumer base.
- Top ten markets consist of metro cities such as Greater Mumbai, Delhi NCR, Bangalore, Hyderabad, etc.. and also include leading Tier I cities of India such as Surat, Ahmedabad and Jaipur.
- Over the last decade, existing metros have expanded significantly through growth of peripheral sub-urban areas, and this has been a key driver of organized retail.
- These areas offer the advantages of better planned development, lower rentals, and large spaces needed by organized retailers.
- Expansion of cities also provides new employment avenues to youth living in nearby town clusters.
- In terms of state-wise distribution of stores of some key retailers, concentration is highly skewed towards few states – particularly in south India, followed by west and north. Eastern states have amongst the lowest presence of organized retailers.

*Note: *retailers include Future Group, Reliance Retail, Aditya Birla Retail and Easy Day (Bharti Retail)*
Source: Business Standard website, India Retail Report 2013, KPMG analysis

Demographic characteristics of workforce

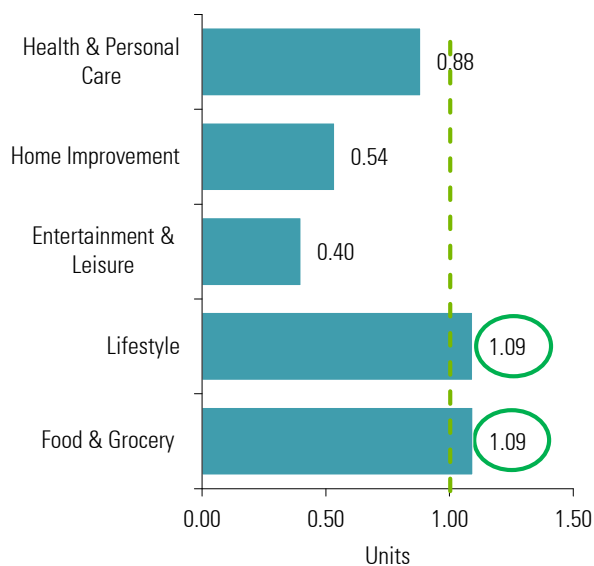
Sub-sectoral Overview

Segment wise analysis

Segment-wise analysis

- Lifestyle, food and grocery segments have greater value generated per employee compared to other sectors
- The education levels across various sub segments also vary in sync with the value generated per person.
- The food and grocery segment has the least educated workforce amongst all segments
- This is also because the industry continues to employ 'generalist' profiles and from typically lower sections of the society in this segment.

Value share to workforce share ratio



Education Profile of different sub-sectors	Food & Grocery	Lifestyle	Entertainment & Leisure	Home Improvement	Health & Personal Care	Total
Secondary and below	83%	66%	55%	57%	50%	75%
Higher Secondary	10%	18%	21%	18%	18%	13%
Diploma/Certificate	0%	1%	1%	2%	5%	1%
Graduate	6%	12%	20%	18%	22%	10%
Post Graduate	1%	2%	3%	4%	5%	2%
Total	100%	100%	100%	100%	100%	100%

Source: NSS 68th round survey, MOSPI website, KPMG analysis

Demographic characteristics of workforce

State wise analysis

State-wise analysis

- 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.

State	Employment (in lakh)	Employment Proportion	Cumulative Proportion
Uttar Pradesh	35.1	12.4%	12.4%
Maharashtra	28.2	9.9%	22.3%
Andhra Pradesh	25.3	8.9%	31.2%
West Bengal	22.4	7.9%	39.2%
Tamilnadu	20.0	7.0%	46.2%
Bihar	19.1	6.7%	52.9%
Madhya Pradesh	15.6	5.5%	58.4%
Gujarat	15.5	5.5%	63.9%
Karnataka	14.6	5.1%	69.0%
Rajasthan	12.1	4.3%	73.3%
Assam	10.8	3.8%	77.1%
Kerala	10.3	3.6%	80.7%
Orissa	10.0	3.5%	84.3%
Delhi	7.2	2.5%	86.8%
Jharkhand	7.2	2.5%	89.3%
Punjab	7.1	2.5%	91.8%
Haryana	6.3	2.2%	94.1%
Rest of India	16.8	5.9%	100%
Total	283.5	100%	100%

Cities with most potential for employment growth in retail industry

City	Population 2013 (Million)	Annual Urban Household Expenditure 2013 (INR Trillion)	Current Employment 2013 (lakh)	Estimated Employment by 2017 (lakh)
Delhi (NCT)	17.2	2.5	13.1	19.8
Mumbai (including suburbs)	12.5	2.3	12.4	18.7
Bangalore	9.5	1.9	10.1	15.2
Pune	6.1	0.9	4.6	7.0
Chennai	4.7	0.8	4.1	6.2
Hyderabad	4.0	0.7	4.0	6.0

Source: NSS 68th round survey, MOSPI website; KPMG analysis

Demographic characteristics of workforce

Changes in the last few years require the sector to focus on training their workforce to meet changing consumer expectations

Key factors shaping sector competitiveness

Growth in organized retail

- Marked improvement in skill level is expected due to strict quality norms and operating standards required by organized retailers
- International retailers entry into India in the single brand domain is likely to expose the workforce international operating standards
- Growth in online retail is also likely to demand new skill sets from the retail workforce – which includes IT skills, online merchandizing, logistics handling, product photography, etc..

Changing consumer preferences

- Increasing urbanization, incomes, media exposure, education levels and changing lifestyles are driving focus on personalization and convenience
- Would increase demand for better technical skills especially in segments related to technology (consumer electronics, gaming, etc..)
- Increased need of soft skills for customer relationship management for a more demanding consumer
- Technical skills are easy to impart while retailers often struggle to train workforce on soft skills.

Other factors

- Government policy has had a mixed impact on sector competitiveness.
- Where on one hand, liberalization of single brand retailing has helped several retailers foray into India, lack of clarity on Multi Brand retail has deterred several players.
- Growth of franchising industry has spurred the retail industry and helped players expand into new geographies.

Efforts need to be stepped up to bridge existing skill gaps

- Training is increasingly seen essential for improving performance.
- Expansion into new geographies and growth through franchisees makes standardization of quality and processes a critical success factor
- Much needs to be done at the store level as only around one in four organized retailers make training a part of Store Manager's key responsibility areas (KRAs).

Source: TCS Survey, 2013, KPMG analysis

Demographic characteristics of workforce

Industry trends and issues are likely to necessitate a big improvement in the present skill set

Growth of online retailing

- Online retail in India is gaining traction, and is likely to add completely new dimensions to workforce skill requirements in the sector.
- One key requirement would be that of trained logistics personnel at middle and higher management, capable of planning and executing smooth product movement from warehouse to the consumer
- The personnel would need to have knowledge of IT skills such as ERP (Enterprise Resource Planning).
- Increased need for understanding consumer behavior and how logistics impact consumer satisfaction and mapping the same to performance.
- Logistics operations are typically handled by third party vendors. This requires greater integration between retailers and vendors for skill assessment and development.
- Advent of new roles such as online visual merchandizing, product photography, virtual counseling, web/app development, etc..

Growing demand of personalized services and convenience by consumers

- With growing incomes and urbanization, consumers are increasingly demanding personalized services.
- This is increasingly placing new demands from workforce involved in store operations in areas such as personal grooming, better presentation standards and customer relationship management.
- Specialist knowledge of trends and technical features may be required in some segments such as lifestyle, pharmacy, consumer electronics, gaming, etc..

Growth in private labels

- Growing acceptance of private labels amongst Indian consumers on account of better value has spurred the number of private labels being launched by Indian retailers over the last few years.
- This involves tying up and sourcing from several vendors and effective procurement is critical to the success of any private label strategy.
- Skills in identifying, empanelling, managing, ensuring quality from vendors and optimizing costs would be some key areas where skills would be critical.
- At present there are very few institutes that offer practical courses on vendor management.

Source: Primary interactions with key stakeholders, KPMG analysis

Demographic characteristics of workforce

Industry trends and issues are likely to necessitate a big improvement in the present skill set

Emergence of new retail formats

- E-commerce has gradually evolved to include retail at its basic level – e-grocers like Big Basket gained popularity in metros.
- Another new format on online space is an e-commerce enabled venture from Future Group called Big Bazaar Direct, where door-to-door orders are taken from customers.
- Vending Machines is another new format gaining fast acceptance in India; it is touted to reach a market size of INR50 billion by the end of 2012.
- Gas stations also have begun to cater to retailing with convenience stores, ATMs, food courts and pharmacies appearing in many outlets.

Emergence of franchising as a mode of expansion

- Franchising is a rapidly growing model for business expansion in retail sector.
- According to KPMG India estimates, India drives only about 2.5 percent of total retail sales (organized and unorganized) through franchise formats, as against nearly 50 percent in the US, indicating huge potential for the market in future.
- KPMG estimates that over 43000 franchisee establishments (valued at USD 36 billion) may be required by 2017 to meet the growing demand in the retail sector from a current base of 13000 (valued at USD 10.6 billion).

Leveraging IT

- **Growing importance of supply chain visibility:** From sensor-based inventory management to RFID-based control over the inventory coupled with GPS-based tracking, IT can help in maintaining optimally minimal inventory and thus reducing input costs.
- **Store operations:** Innovative use of Intelligent Video Analytics, point-of-sales terminals and sensor-based shop carts can help retailers enhance customer experience and reduce costs by controlling shrinkage.
- **Digital Marketing:** Use of digital media for communication with customers, backed by web analytics and social media analytics, can help retailers analyze marketing campaigns and understand what is working and what isn't – in real time.

Entry of foreign players

- Several international brands have or are planning to enter India, primarily in segments such as lifestyle. These are typically high-end or premium brands where well groomed staff with good soft skills is an inherent requirement at the front end.
- Most of the store staff receives training in-house, however retailers continue to face shortage of staff in smaller cities.

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

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

Retail is one of the largest employers of Indian workforce with about 90 percent of the employment concentrated in front-end/retail customer associate profiles at store level operations. Soft skills such as communication skills, interpersonal skills are the key criteria for employability for both entry level and middle level jobs at the store-end. Function specific knowledge is the key factor influencing employability for non-store jobs.

Industry currently employs over 31 million workforce in conventional Retail segments and additional 7.6 million in specialized Retail segments like QSR, Auto and Jewellery Retail as on 2013. Employment base of the industry expected to reach 40.4 million by 2022 in conventional Retail segments and 15.55 million in specialized Retail segments. This would translate into an addition of 17.35 million additional employment opportunities during the period 2013-22 across the formats. Owing to high dependency on human resources, industry would have a strong correlation between employment growth and output value in the organized sector. However, historical trends in employment in un-organized have indicated low correlation between output and employment growth owing to the suboptimal use of labour potential in the segment. Labour elasticity for the period 2013-22 is pegged at 0.6 for the organized segment and 0.1 for the unorganized segment.

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

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Key insights on unorganized retail in India

Key insights on workforce characteristics based on a dip-stick survey of Unorganized Retail enterprises in the ten cities of Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Kolkata, Pune, Kochi, Chandigarh and Ahmedabad were tabulated below:

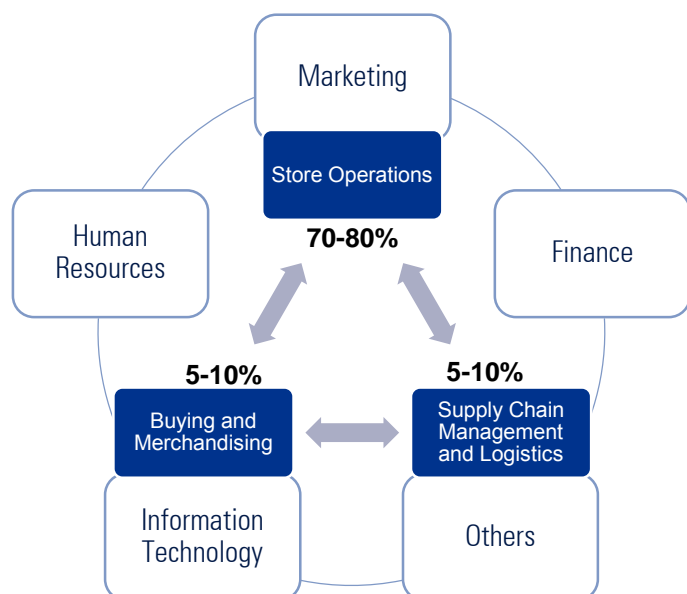
Aspect	Details
Financial discipline	A significant number of unorganized retail outlets surveyed are lacking in financial discipline with no records maintained for budgeting, accounting, etc.. Merchandising decisions are often based on intuition rather than data analysis and this makes them reluctant to scale up.
Job role specification	As employees are tasked with any and every activity from customer handling to billing to procurement and delivery of goods to store maintenance, there is a lack of job role distinction and thus a limited scope for specialization in any of these activities.
Underemployment	Underemployment is an inherent problem in unorganized retail, one of the reasons being lack of distinct job roles. This is intensified by penetration of organized retail, especially for those unorganized players with organized retail stores in their vicinity.
Willingness of employees to migrate to organized retail	While on one hand employees were found to be very willing to move to organized retail for reasons of better pay, working conditions and benefits, there was a significant section of employees weren't willing to migrate to organized retail, citing belongingness and loyalty to the store in unorganized retail. There was a third section which preferred unorganized retail citing flexibility in work. The first section of employees cite lack of educational qualification as a reason for inability to migrate.
Skill requirements	One of the strengths of unorganized retail being customer relationship maintenance, many store owners cite knowledge of local language and customer service orientation as necessary skills for their employees. In addition, specialized stores insist that their employees possess good selling skills and product knowledge which is not so much of a requirement in non-specialized stores.
Attrition	The results show huge variation where a segment of store owners observing little or no attrition while another segment of store owners cite high attrition rate among their employees."

Source: India Retail Report 2013, KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Various functions in organized retail

Key functions in organized retail



- At the core of Retail lies Store Operations, working in co-ordination with Buying & Merchandising and Supply Chain Management & Logistics which are often centralized functions. These are key employment generation areas in the industry given the fact that it is dominated by brick and mortar stores.
- These core functions are supported by centralized functions as Marketing, Human Resources, Finance, Information Technology, Quality Control, Business Development, e-tailing, Legal, Secretarial, etc..
- Store Operations commands anywhere between 70-95 percent of total employment in Organized Retail. Buying & Merchandising as well as Supply Chain Management & Logistics (often outsourced) constitute about 5-10 percent each. The other functions form about 2-5 percent.

Function	Details of job roles
Buying and merchandizing	<ul style="list-style-type: none"> Is a specialist role and typically requires graduation to enter and grow. Knowledge of trends and technology is especially important in segments such as apparel and consumer durables. Entry level starts from a trainee buyer role and move up to the buyer, manager or senior manager role. Accordingly, job roles evolve from simple collating and collecting procurement requirements to empanelling, managing vendors and managing quality and costs. Courses on vendor management are very limited in India and specific knowledge of cost and quality management is learnt on the job or through in-house trainings.
Logistics and supply chain management	<ul style="list-style-type: none"> At the entry level, the job is more of gathering data, documenting movement and maintaining and updating MIS (Management Information Systems). Critical areas such as inventory planning, logistics management become a part of the job as the personnel move up in the career path. Most competencies are gained on the job but initial knowledge of ERP software is being increasingly valued.
Store operations	<ul style="list-style-type: none"> Store operations involve a wide variety of roles – starting from purely mechanical jobs such as replacing exhibits on shelves, transporting goods, etc.. done by typically contractual workforce to actively engaging with customers to drive sales. For customer facing staff, knowledge of English is an important requirement, along with soft skills and customer management skills. There are very few institutes that provide formal courses in areas such as visual merchandizing, space management, etc.. Most of these skills are developed on the job only.

Source: India Retail Report 2013, KPMG analysis, World Bank report, Primary interviews with key stakeholders

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Mapping key job roles related to store operations with required educational backgrounds

Store Operations	Key job roles	Required education levels
	Trainees, Junior Customer Service Associate, Bagger, Delivery Boy	Graduation, Class XII. Diploma
	(Senior) Customer Service Associate, After-sales Service Associate, Cashier	Graduation, Class XII. Diploma
	Advisor/ Specialist	Graduation, Class XII. Diploma
	Supervisor, Head Cashier, Store Accountant	Post Graduation, Graduation
	Assistant Store Manager, Departmental Manager, Assistant Departmental Manager	MBA, Post Graduation, Graduation
	Store Manager	MBA, Post Graduation, Graduation
Supply chain management and logistics	Key job roles	Required education levels
	Loader/Unloader, Packer, Driver, Helper (usually outsourced/contract)	NA
	Inventory Management Executive, Logistics Executive, Inbound Executive, Outbound Executive	MBA, Post Graduation, Graduation
	Supply Chain Management/ Logistics Advisor	MBA, Post Graduation, Graduation
Buying and Merchandising	Key job roles	Required education levels
	Purchase/Merchandising Executive, Quality Control Executive, Visual Merchandising Executive	MBA, Post Graduation, Graduation
	Purchase/Merchandising Advisor	MBA, Post Graduation, Graduation
	Trading Manager, Purchase/Merchandising Manager, Quality Control Manager, Category Manager – Purchase/Merchandising, Manager – Visual Merchandising	MBA, Post Graduation, Graduation

In addition to the roles specific to sub-sectors, the following areas are expected to witness high demand over the next decade across sub-sectors.

Brick-and-mortar stores		Direct-to-home
<ul style="list-style-type: none"> Counseling Visual Merchandising Space Management Business Intelligence In-store Customization Customer Loyalty Management Customer Behavior Analysis Digital Marketing and financing 	<ul style="list-style-type: none"> Virtual Counseling Customer Care Customer Loyalty Management Online Merchandising and Procurement Supply Chain Management Logistics, Reverse Logistics Online/ Web Analytics, Social Media Analytics Web/ App Development and Maintenance Digital Marketing Online Advertising Management 	<ul style="list-style-type: none"> Franchising Delivery

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

Changing skill set requirements		
	Skills required	Skill gap
Entry Level Trainee, Junior Customer Service Associate (J CSA), Bagger, Delivery Boy	Basic Arithmetic, Book-keeping, Communication and Marketing Skills	<ul style="list-style-type: none"> ■ Inadequate communication skills, in any language, preventing rapport building with customers ■ Poor customer service orientation ■ Product knowledge, even in sub-segments of high customer involvement, is inadequate ■ Knowledge of storage of products, especially those with low shelf life, is often lacking ■ Poor numeracy skills, often in combination with lack of computer knowledge ■ Inadequate grooming and hygiene
	Knowledge and Differentiation of Products/ SKUs, usability/ saleability, Processing/ Scanning and Storage of Products	
	Stocking, Maintenance and Replenishment of Storage and Shelves	
	Visual Merchandising, especially during Promotions, and Space Management	
	Customer Service – providing information and other support proactively, after-sales included (delivery, maintenance, etc.)	
	Knowledge and Promotion of Loyalty Schemes, Financing, After-sales service and other Promotional Schemes	
	Teamwork	
	Basic Computer Knowledge (ERP/POS software, email)	
	Awareness of Health, Hygiene and Safety measures	
	Time Management and Knowledge of Local Geography and Customer Profile	
Entry Level/ Junior Management (Senior) Customer Service Associate (CSA)	Note: In addition to the above skill-sets of a more advanced level, a (Senior) Customer Service Associate is expected to possess the following skills.	<ul style="list-style-type: none"> ■ Inadequate product knowledge, resulting in little or no support to customers in purchase ■ Poor space management skills, resulting in low space utilization ■ Inadequate communication skills, with ineffective demonstration and marketing of products
	Communication and Demonstration of product features/ specifications/ usage/ functioning/ benefits to customers	
	Supporting customers in product selection, accessorization and purchase decision/Capability to train customer/user on usage of products.	
	Capability to train customer/user on usage of products	
	Knowledge, Promotion and processing of Loyalty Schemes, Financing, After-sales service and other Promotional Schemes	
	Offering after-sales customer support (delivery, maintenance, query/service resolution, etc..)	

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

Changing skill set requirements		
	Skills required	Skill gap
	On-the-job mentoring of Trainees/ Junior CSAs	<ul style="list-style-type: none"> Poor customer empathy, with little after-sales support and weak customer feedback mechanism Poor adaptation to changing technologies, hindering marketing via digital media, etc.. Poor teamwork skills
	Collecting and processing customer feedback	
	Basic analytical and digital marketing skills	
Entry Level/ Junior Management Advisor/ Specialist	Note: In addition to the skill-sets expected of a (Senior) Customer Service Associate, Advisor/ Specialist roles require the following skills.	<ul style="list-style-type: none"> Inadequate interpersonal skills leading to poor customer engagement Inadequate and dated product knowledge, resulting in poor support/counseling offered to customers Poor adoption of technology, hindering effective customer engagement, counseling and marketing
	Proficiency in communication and interpersonal skills	
	In-depth product knowledge, at a SKU level - features/ specifications/ usage/ functioning/ benefits	
	Knowledge of current and emerging trends in consumer needs, consumption patterns and market offerings	
	Customer service orientation – courteous and personalized servicing of customer, anticipating and understanding customer requirements	
	Counseling <ul style="list-style-type: none"> Product-related – recommend and demonstrate appropriate products and accessorization, if any, to the customer, counsel on product features/ benefits/ usage and support in purchase decisions Generic – advice and educate customers on current and emerging trends, local and global, in the product category, suggesting related products and combinations and resolve any other customer queries, even post-sale 	
	Competition tracking and analysis	

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

Changing skill set requirements		
	Skills required	Skill gap
Entry Level Junior After-sales Service Associate (specific to Lifestyle and Home Improvement)	Basic communication and numeracy skills	<ul style="list-style-type: none"> ▪ Inadequate communication skills, in any language, hindering effective customer interaction ▪ Inadequate knowledge of product differentiation and troubleshooting ▪ Poor adherence to health and safety measures ▪ Inadequate grooming and hygiene practices ▪ Poor time management skills
	Knowledge and differentiation of products/ SKUs	
	Knowledge of product properties, components, specifications and functioning	
	Knowledge of scope of customization of various products	
	Delivery, installation, set-up, customization and demonstration of various products	
	Knowledge and communication of maintenance and other schemes in offer	
	Troubleshooting of various products/ SKUs	
	Teamwork	
	Awareness of Health, Hygiene and Safety measures	
	Time management and knowledge of local geography and customer profile	
	Collecting and processing customer feedback	
Entry Level/ Junior Management (Senior) After-sales Service Associate (specific to Lifestyle and Home Improvement)	Note: In addition to the above skill-sets of a more advanced level, a (Senior) After-sales Service Associate is expected to possess the following skills.	<ul style="list-style-type: none"> ▪ 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..
	Communication and Demonstration of product features/ specifications/ usage/ functioning/ benefits to customers	
	Supporting customers in accessorization	
	Capability to train customer/user on usage of products and resolve their queries	
	Knowledge, promotion and processing of Loyalty Schemes, Financing, After-sales service and other Promotional Schemes	
	On-the-job mentoring of Trainees/ Junior Associates	
	Basic analytical and digital marketing skills	

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

Changing skill set requirements		
	Skills required	Skill gap
Entry Level/ Junior Management Cashier	Arithmetic, Book-keeping, Computer knowledge (ERP/MIS/ POS software, email), Communication and Marketing skills	<ul style="list-style-type: none"> ▪ Inadequate operational knowledge of POS terminal and payment processing, hindering speedy transactions ▪ Inadequate communication skills, in any language, preventing effective customer interaction ▪ Poor troubleshooting skills of POS terminal ▪ Inadequate product knowledge, hindering speedy processing/ scanning ▪ Poor processing of exchanged/returned products combined with lack of customer empathy ▪ Inadequate book-keeping/ accounting skills
	Knowledge and Differentiation of products/ SKUs and their processing/ scanning, in addition to ensuring product quality and usability	
	Operational knowledge and maintenance of Point of Sales terminal, its technology – hardware and software, end-of-day cash reconciliation and reporting of daily sales	
	Knowledge of accepted modes of payment and their processing/ handling and, in case of cash, also safe storage	
	Troubleshooting of Point of Sales terminal and knowledge of alternative modes of transaction processing	
	Customer Service – providing pricing information, product packaging, delivery and other support proactively	
	Processing knowledge of exchanged/ returned products	
	Knowledge and Promotion of Loyalty Schemes, Financing, After-sales service and other Promotional Schemes	
	Teamwork	
	Awareness of Health, Hygiene and Safety measures	
	Time Management	
	Basic analytical skills	
Junior Management Head Cashier, Store Accountant	Note: In addition to the above skill-sets of a more advanced level, a Head Cashier/ Store Accountant is expected to possess the following skills.	<ul style="list-style-type: none"> ▪ Poor adaptation to changing technologies ▪ Inadequate people management skills, resulting in ineffective mentoring of cashiers, customers, vendors, etc.. ▪ Inadequate reporting skills
	Monitoring and mentoring cashiers and end-of-day reconciliation of finances for the entire store	

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

Changing skill set requirements		
	Skills required	Skill gap
	Handling banking transactions – cheque deposits, clearance, etc.. Ability to resolve customer queries/ issues about payments and promotional schemes Maintenance of cash float and registries at all POS terminals Financial reporting of store on a periodic basis Vendor Management	
Junior/ Middle Management Supervisor, Assistant Departmental Manager, Departmental Manager	Orientation to retail and product knowledge People management, leadership and coaching skills – mentor, monitor, motivate and evaluate staff in addition to grievance redressal Co-ordination skills – ensure work load/ task distribution, schedule and co-ordinate staff activities amongst various departments Decision making skills – authorization/ acceptance of exchange/ return of products, hiring staff, etc.. Financial planning and analysis – budget making, sales projections, sales target setting, expenditure scheduling, pricing policies, financial statement analysis, profitability analysis, etc.. Planning and execution of loyalty schemes, financing, after-sales service and other promotional schemes to achieve sales targets Inventory management – monitor and maintain day-to-day inventory levels, decide on order quantity and frequency, etc.. Quality control – sampling of product orders, ensuring usability of products both in storage and on shelf Reporting of store on a periodic basis – sales, merchandising, personnel evaluation, etc.. Visual merchandising and space management skills Customer relationship management – improved shopping experience, resolution of customer queries/ complaints, feedback processing, digital marketing, etc..	<ul style="list-style-type: none"> ■ Inadequate communication, people management and leadership skills ■ Poor mentoring skills ■ Inadequate co-ordination skills, especially during peak seasons or high attrition periods ■ Poor space management skills resulting in low space utilization ■ Inadequate financial analysis skills, combined with lack of knowledge of related tools ■ Poor grievance handling skills ■ Inadequate inventory management skills, especially during peak seasons ■ Poor competition analysis skills and knowledge of related tools

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Changing environment has resulted in significant skill gaps across levels in Retail

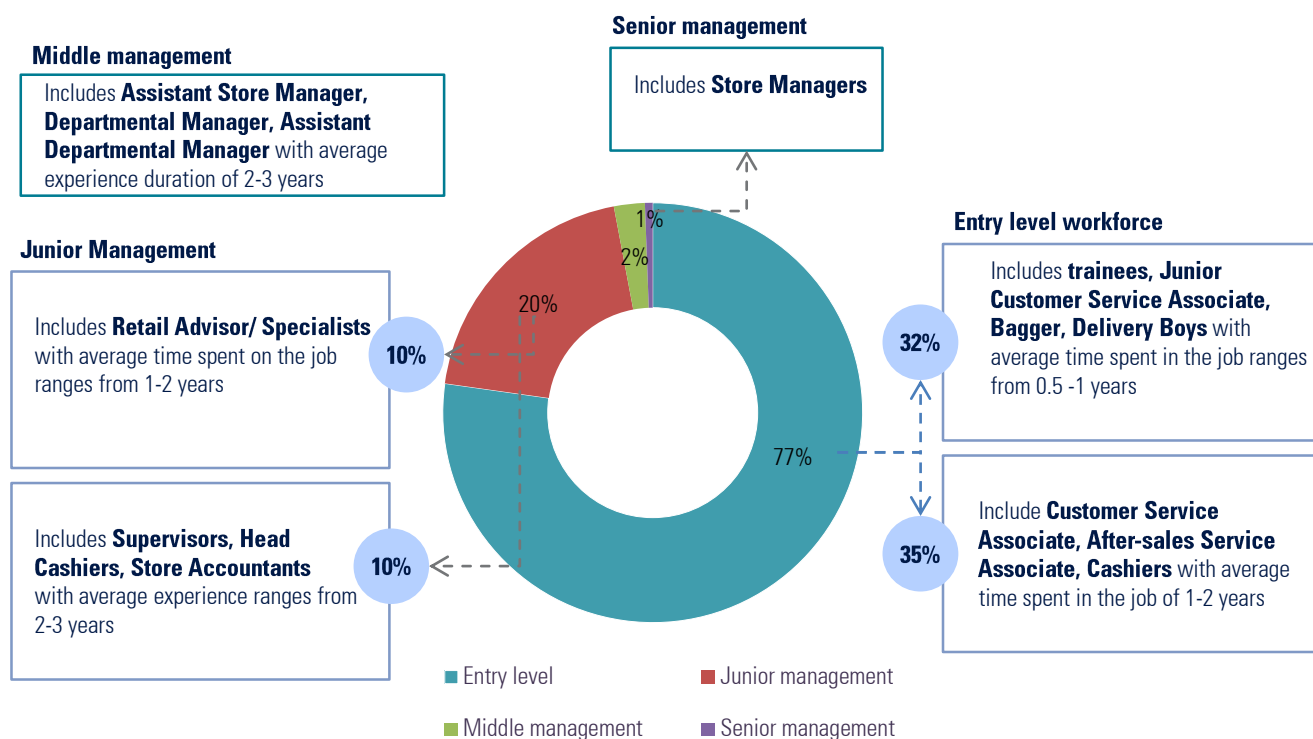
Changing skill set requirements		
	Skills required	Skill gap
	<p>Knowledge of changing market/ consumer needs and trends and revision of merchandising accordingly</p> <p>Technological aptitude</p> <p>Ensure adherence to health, hygiene ,safety and other compliance measures</p> <p>Analytical and business intelligence skills</p>	<ul style="list-style-type: none"> ■ Poor grievance handling skills ■ Inadequate inventory management skills, especially during peak seasons ■ Poor competition analysis skills and knowledge of related tools
<p>Middle/ Senior Management</p> <p>Assistant Store Manager, Store Manager</p>	<p>Note: While junior/ middle management operates majorly within the purview of their departments/ floors/ product categories, Store Manager and Assistant Store Manager are responsible for the entire store. Hence, in addition to the skill-sets required of junior/ middle management, of a more advanced degree as applicable at a store level, a Store Manager or Assistant Store Manager is expected to possess the following skills.</p> <p>Strategy formulation and execution – maintain profitability of the store, organize promotions, achieve sales targets, build brand awareness and reputation, build and expand customer base, improve customer retention and transaction value per customer, customer relationship management, etc..</p> <p>Policy formulation and execution – store timings, hygiene and safety measures, development and maintenance of standard operating procedures, store maintenance, etc..</p> <p>Performance evaluation – (assist in) developing and maintaining key performance indicators for various job roles, evaluation of staff and store as per frameworks in place</p> <p>Competition tracking and analysis, assisted by BI tools</p> <p>Knowledge of local consumer behavior, consumption patterns, emerging trends, etc..</p>	<ul style="list-style-type: none"> ■ Poor grievance redressal capabilities of staff as well as customers ■ Inadequate knowledge of consumer behavior and consumption ■ Poor competition tracking skills, especially from unorganized retailers ■ Individual performance evaluation is cumbersome at a store level, especially for entry level roles, owing to lack of effective KPIs

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles in organized retail

Functional distribution of workforce at store operations level



- **Entry level and junior management level workforce constitutes the maximum share (~97 percent) of the total workforce at store level operations, in India.**
- **There is huge skill gaps exist for the aforementioned levels. The following section highlights the roles with huge paucity in India:**
 - **Entry level:** Front end staff at store operations which directly involved with the final customer.
 - **Junior management: Advisors and specialists:** With the increasing penetration of the organized retail in India, demand for specialists in each of the sub-sector with specific knowledge/skills is also growing fast.

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles in organized retail

Mapping sub- sectorial variations in job roles and requirements at store operations level

Sub-sectors	Mapping skill gaps	Shortage highlights
Food and Grocery	<ul style="list-style-type: none"> ▪ Emergence of Gourmet Food as a specialty segment has created a demand for specialists in the sub-sector with knowledge of various cuisines, ingredients, cooking methods, etc.. ▪ Introduction of live cooking sections in specialized stores and hyper-marts requires chefs in considerable numbers. ▪ As bakery items gain popularity, live bakeries are introduced in specialized stores and hyper-marts serving customers with freshly baked products. It has been observed that qualified bakers are in acute shortage. ▪ Fish and Meat section is faced with shortage of professionals trained in the art of preserving, cutting and packaging the same in portions as required by the customer. 	<ul style="list-style-type: none"> ✓ Specialists in gourmet foods ✓ Chefs ✓ Qualified bakers ✓ Professionals for fish and meat preserving and packaging activities
Sub-sectors	Mapping skill gaps	Shortage highlights
Lifestyle	<ul style="list-style-type: none"> ▪ Apparel and Clothing is in need of fashion consultants with a knowledge of latest fashion trends, material, stitches, color combinations and accessorizing in order to assist customers with purchase decisions. ▪ Footwear segment carries with it a stigma as it requires its sales associates to touch the feet of customers. Hence it remains unattractive for educated professionals who may be able to better assist customers in purchases. ▪ As luxury retailing in time wear gains popularity, it is in need of professional with a greater quality of grooming, finesse and customer service orientation than demanded hitherto. ▪ Eyewear segment is faced with a severe shortage of optometrists compelling retailers to tie-up with medical institutes for recruitment. ▪ Growth of high-end smart phone segment has created a demand for highly knowledgeable sales professional capable of catering to customers who are growing increasingly aware of market trends. In addition, retailers in this space are looking out for professionals with a greater finesse and customer service orientation than required hitherto for catering to high net-worth individuals with direct-to-home service. 	<ul style="list-style-type: none"> ✓ Apparel & clothing: Fashion consultants ✓ Footwear: Customer facing educated professionals in store ✓ Time wear: Customer facing educated professionals in store ✓ Eye wear Optometrists ✓ Mobiles & telecom: Highly professional sales staff with knowledge about telecom trends

Sources: KPMG analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles in organized retail

Mapping sub- sectorial variations in job roles and requirements at store operations level

Sub-sectors	Mapping skill gaps	Shortage highlights
Entertainment and Leisure	As online retail in books segment has been getting increasingly popular, retailers are in lookout for counselors knowledgeable of various genres of literature so they may be capable of assisting customers with varied requirements. In addition, introduction of computers to ease 'search and locate' process of books as per customer demand in brick-and-mortar stores requires them to be equipped with computer knowledge.	✓ Books retail: Educated professionals equipped with computer knowledge
Sub-sectors	Mapping skill gaps	Shortage highlights
Home Improvement	Consumer Electronics segment is faced with a severe shortage of after-sales service professionals who have been observed to prefer self-employment to working with organized retailers. This is going to get more severe as retailers are looking towards venturing into providing Annual Maintenance Contracts to customers in competition with OEMs.	✓ Consumer electronics: After-sales service professionals
Sub-sectors	Mapping skill gaps	Shortage highlights
Health and Personal Care	Niche segments such as mother & child care have brought in requirement for new job roles such as parenting advisors who are preferably experienced mothers who can counsel expecting and new mothers in prenatal and postnatal matters.	✓ Mother and child care: Parenting advisors

Sources: KPMG analysis

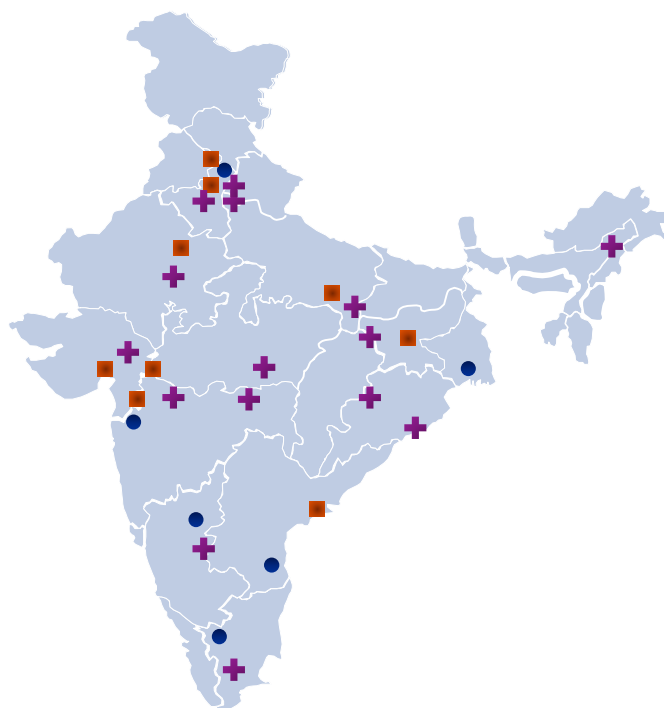
Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Geographical mapping of the job roles and the employers in various sub-sectors of retail sector

Urban centers driving human resource requirements in Organized retail

- Indian organized retail has primarily been a metro centric phenomenon so far. These areas offer the advantages of better planned development, lower rentals, and large spaces needed by organized retailers.
- However, rising disposable incomes in tier II and III cities increasingly brought them into focus as emerging potential centers on the Indian retail landscape.
- India's retail clusters are directly linked to the presence of large and concentrated consumer base.
- There is huge paucity of talent in some retail specific functions such as store Insights, Buying & merchandising, store planning and visual merchandising will be one of the key challenges confronting global retailers to set up stores in India and Indian retailers looking to compete with international standards.

Retail clusters in India



● Metropolitan cities

Cities	Population (2011)	Estimated growth (2011-21)
Greater Mumbai	19,130,565	12.5%
Delhi NCR	15,828,138	26%
Bangalore	8,425,970	58%
Hyderabad	6,809,970	40%
Kolkata	9,209,301	5%
Chennai	5,751,981	22.5%

■ High growth cities

Cities	Population (2011)	Estimated growth (2011-21)
Ahmedabad	5,778,884	55%
Pune	4,844,790	40%
Surat	4,462,002	50%
Jaipur	3,073,350	45%
Luck now	2815601	30%
Vishakhapatna m	982904	45%

+ Emerging potential cities

Cities	Population (2011)	Estimated growth (2011-21)
Indore	1706640	35%
Patna	2052066	25%
Ludhiana	1398467	20%
Bhopal	1437354	27%
Vadodra	1306227	33%
Amritsar	966862	30%
Nasik	1077236	45%
Aurangabad	873311	36%

Source: India Retail Report 2013, KPMG analysis

Training infrastructure

A list of retail research centers across sub-sectors is provided in the following table:

Sub-sectors	List of training institutions in Indian retail space	
Public Institutes	<ul style="list-style-type: none"> ▪ Institute of Hotel Management, Pusa (IHM, Pusa) 	<ul style="list-style-type: none"> ▪ Certification/Graduation/Post Graduate Diploma/Post Graduation Courses in various hospitality operations
	<ul style="list-style-type: none"> ▪ National Institute of Open Schooling (NIOS) 	<ul style="list-style-type: none"> ▪ Various Certificate Courses in Hardware Maintenance ▪ Various Certificate Courses in Computer Applications and Maintenance ▪ Various industry specific Certification Courses related to beauty, hospitality etc..
Public Private Institutes	<ul style="list-style-type: none"> ▪ iSTAR ▪ Indian Institute of Skills Development (IISD) ▪ Edubridge International School ▪ Gras Academy ▪ Indian Institute of Job Training (IIJT) ▪ Managerial Excellence Resource Centre (MERC) 	<ul style="list-style-type: none"> ▪ Certification courses in Sales Skills and Customer Handling, Retail Operations, Hospitality Operations, Soft Skills, English language, Computer Skills ▪ Certificate Course on Tally ERP (Unique to Istar) ▪ Post Graduation in Marketing Management (Unique to MERC) ▪ Post Graduate Certification in Materials Logistics Management (Unique to MERC)
Private Institutes	<ul style="list-style-type: none"> ▪ Pearl Academy of Fashion (PAF) 	<ul style="list-style-type: none"> ▪ Graduation Courses in Fashion Designing/ Production and Merchandising/ Retailing/ Fashion Marketing ▪ Advanced Certification Courses in Apparel/ Visual Merchandising, Public Relations, Fashion Retail
	<ul style="list-style-type: none"> ▪ CII Institute of Logistics 	<ul style="list-style-type: none"> ▪ Certification Courses and Advance Certifications in Logistics Management, Supply Chain Management
	<ul style="list-style-type: none"> ▪ Livelihood Advancement Business School (LABS) 	<ul style="list-style-type: none"> ▪ Certificate/Diploma Course in Housekeeping, Shop Demonstration, Customer Handling and Sales, Hospitality, Computer Application

Source: Respective training institute websites, KPMG analysis

A list of retail research centers across sub-sectors is provided in the following table:

Sub-sectors	List of training institutions in Indian retail space	
Private Institutes	<ul style="list-style-type: none"> Indian Retail School (IRS) 	<ul style="list-style-type: none"> Graduate/ Post Graduate courses in Retail Visual Merchandising
	<ul style="list-style-type: none"> National Institute of Retail Management (NIRM) 	<ul style="list-style-type: none"> Advanced Diploma/ Post Graduation in Fashion Designing, Apparel Production/ Quality/ Merchandising, Retail, Retail Supply Chain/ Category Management, Business Administration
	<ul style="list-style-type: none"> Future Innoversity 	<ul style="list-style-type: none"> Graduate/ Post Graduate courses of Business Administration in retail and supply Chain
	<ul style="list-style-type: none"> Centum Learning 	<ul style="list-style-type: none"> Certification courses in Personal Improvement, Sales and Service, Retail Sales and Marketing/ Visual Merchandising and Space Planning/ Buying and Merchandising/ Supply Chain/ Management and Store Operations/ Customer Relationship Diploma/ Graduation/ Post Graduation of Business Administration in Retail, Marketing and Human Resource
	<ul style="list-style-type: none"> Retail Association of India (RAI) 	<ul style="list-style-type: none"> Certification Courses in Retail Graduation of Business Administration in Retail
Universities	<ul style="list-style-type: none"> Indira Gandhi National Open University (IGNOU) 	<ul style="list-style-type: none"> Certification Course in Soft Skills Graduation Courses in Retailing Post- Graduate Certification Courses in Retail Sales and Operations
	<ul style="list-style-type: none"> Guru Nanak Dev University (GNDU) 	<ul style="list-style-type: none"> Graduation Courses in Pharma, Agriculture, Electronics and Food Technology Post Graduation in Food Technology

Source: Respective training institute website, KPMG analysis

Other private initiatives

- 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).

1

•Bharti Retail opened a training center in New Delhi in 2010 with a capacity to train up to 125 candidates every month. The initiative was started in collaboration with Delhi government's department of training and technical education.

2

•Future Group runs an initiative called 'Future Innoversity' under their subsidiary Future Human Development Ltd (FHDL), training candidates on areas such as logistics and supply chain management. The Group also offers a management degree in retail and entrepreneurship in collaboration with Indira Gandhi National Open University.

3

•Aditya Birla Group launched the Aditya Birla Centre of Retail Excellence (ABCRE) in Bangalore to train new and existing staff. It has the capacity to train around 75 employees at one go and is spread across 4,000 square feet.

Training Infrastructure

Key insights for training/supply infrastructure

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.
- Even if the employee is trained, most players re-train workforce which indicates a greater need to align training courses with industry requirements and a need to demonstrate that the employee will require minimal training investment after recruitment.
- 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.

Need for trainings for specific roles

- There is a growing need for people in specialized roles in the industry. These include Product Specialists, in-store SMEs, Bakers, Chefs, Merchandisers, specialists in supply chain management, logistics and space utilization, etc..
- Training infrastructure for imparting skills in these roles is very limited in India and most retailers have to setup in-house trainings for these.
- Other examples include people with knowledge of material, stitches, ability to make suggestions on combinations and colors in apparel; optometrists in eyewear, luxury retail, space management, etc..
- Given the diverse segments that constitute the sector, there is also a need to focus on product specific training curriculum.

Lack of potential candidates at entry level

- A large proportion of the entry level candidates lack basic communication skills, customer service orientation and more importantly retail orientation apart from technical skills.
- There is a need to impart more practical training to entry level employees since the educational qualifications are often not aligned to requirements of the retail sector. This includes training on soft skills as well.

Source: KPMG analysis, primary interactions with key stakeholders

Training Infrastructure

Key insights for training/supply infrastructure

Lack of standardized certifications

- Current recruitment channels are often unable to provide the required numbers and quality to retailers.
- Firms are looking toward setting up their own training infrastructure and certification programs and source their manpower from such centers with reduced dependence on external sources.
- 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.
- Because of non-existence of any accreditation agency, a standard certification hasn't emerged yet.
- Increased and direct communication between industry and training providers is required so that the latter can design the training program and mobilize students to meet industry needs.

Challenges in training staff beyond the cities

- Workforce, especially in the rural areas require focused training efforts in areas such as personal grooming, comprehension, work ethics, value towards work, respect for employer.
- Apart from this, there is also a requirement to train them on the technical know-how of equipment installed in shops on which they have little or no exposure.

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.

Source: KPMG analysis, Primary interactions with key stakeholders

Recommendations for key stakeholders

Recommendations for key stakeholders

High levels of *Attrition* within Retail Industry needs to addressed through provision of long term benefits

- Huge attrition levels exist across the industry, especially for front-end workers. The attrition amongst the entry and mid level is more than 30% annually.
- Level of absenteeism is the lowest amongst the migrant workers and high amongst the native employees. Migrant employees undertake long vacation to their hometown, exceeding one month period and is planned well in advance
- Non contractual labour leading to informal employment in the sector and therefore encourages frequent and quick changes in jobs. Loyalty of the employees has traditionally been lower in this sector, especially in the unorganized segment
- Providing long term benefits could be a strategy to arrest attrition in the industry
- Concept of Paid Leave under Sick Leave category and personal leave is not very common in the unorganized sector

Recommendation 1: Provide long term benefits to formalize the employment and to reduce attrition at various levels

- 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

Provision of vocational training for Self Help Groups given that retail is expanding beyond tier 2 & 3 cities

- Increased number of jobs and opportunities especially amongst entry level workers in tier-2 and 3 cities
- Provide experience in retail operation and develop important working skills that contribute to their knowledge, self-confidence and employability
- In the upcoming retail locations, firms in the unorganized sector (and sometimes organized sector as well) recruit people with a minimum qualification of Std 8th to be trained for entry level work in the industry, due to shortage of willing manpower

Recommendation 2: Introduction of retail courses to train individuals through self help groups

- 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

Recommendations for key stakeholders

Lack of domain specific training, amongst the training providers, both in organized and unorganized segment

- Training institutions follow a standard designed curriculum with generalized content for training the candidates
- Generalization in curriculum leads to difficulty in evaluation of domain specific learning outcomes across platforms
- Major reason for lack of skill premium for trained workforce of the sector

Recommendation 3: Need to introduce domain specific training and standardize the curriculum in line with NSQF levels

- 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

Increase apprenticeship opportunities for trainees

- Apprenticeship opportunities in retail sector provides career opportunities and long-term prospects for individuals
- Given that the channel for recruitment is very narrow, prospective employees are unaware of the existing means of entry into the sector. Apprenticeship provides awareness and exposure to applicants

Recommendation 4: Offer short term apprenticeships to individuals

- Provide opportunities in key towns and cities that would be useful for the workers to gain experience and insight into the job.
- Government shall also strengthen Apprenticeship amendment, 2014 and enforce implementation among employers

Alignment of captive training initiatives with SSC Assessment and Certification providing mobility passport to employees

- Significant proportion of the training is provided in-house, either as on-the-job training or through exclusive training academies for captive absorption
- This leads to varying standards of quality and efficiency amongst players in the industry
- Further, there is no single entity to assess, certify and thus standardize the entire training program for the industry

Recommendation 5: Align captive training initiatives with SSC Assessment and Certification

- 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

Recommendations for key stakeholders

Increased focus on language and communication in schooling given the deficit in soft skills in current manpower

- Current in-house training programs are tailored for company processes and product trainings
- Retail, being an industry highly dependent on sales, requires high standards of soft skills and communication skills to ensure client satisfaction
- This aspect needs greater attention from the training program coordinators

Recommendation 6 : Increased focus on language and communication

- Industry bodies to increase attention on soft skills part of retail industry as much as the technical skills
- Training tie-ups could be considered with leading English and Communication institutions such as the Cambridge ESOL

Allow industry participation in curriculum and content preparation

- A significant proportion of the learning happens on the job. Training is provided by product companies to promote usage of the product, making it difficult to standardize it.
- A gap is created comparing the training of the workforce and the industry expectations. However, if they were to be involved in curriculum and content preparation, they are likely to close this gap.

Recommendation 7 : Offer certified courses with industry involved in curriculum development

- Organizations to tie up with multi-national corporations and provide certified training bodies to offer courses that improve technical and product knowledge
- Provide a forum to share industry best practices and soft skill training to help Salesforce

Provide incentives for employees to undertake skill training/ skill upgradation, through skill premium

- Initial in-house trainings are almost mandatory for employees in both, organized and unorganized sector. Subsequent training programs for skill upgradation is lacking
- In the organized segment, this shortcoming is overridden through trainings by product companies which seek to promote the usage of their products in the centres
- Industry does not incentivize skill upgradation as it does not attach a significant premium to skills learnt in a training institution

Recommendation 8 : Incentivize skill up gradation through skill premium

- Provide skill premium for those candidates with formal training experience
- Encourage employees to upgrade skills to remain relevant in the changing industry scenario
- Formalize the training relationship with product companies to certify and credit the employees who have undergone training
- Initiate Recognition of Prior Learning (RPL) campaign for existing workforce

Recommendations for key stakeholders

Introduction of customer service orientation

- Significant part of activity in the sector is focused on the sales of the product company and availability of stocks.
- Sales workforce are required to possess skills in the field of business development, customer relationship management and managing day to day operations. However such training is not available in the industry

Recommendation 9: Training industry to provide customer centric sales

- Retail training programs can be promoted by the training institutions that have a combination of product and management courses with optimum focus on product as well retail sector related training
- This would also aid candidates with an entrepreneurial bent of mind to establish their own enterprises and be successful at it, thereby multiplying job opportunities

Provide IT training for technology enabled retail organizations

- Many organizations are undertaking technology-enabled initiatives in order to get a digital advantage.
- However, only select players focus on training in the IT skills required in the sector
- Constant upgradation of skills in line with Indian and Global standards is a pressing need, which is often ignored in the training mandate

Recommendation 10 : Increase supply of quality trainers for the industry

- 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



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



N · S · D · C
National
Skill Development
Corporation

Transforming the skill landscape

National Skill Development Corporation
Block A, Clarion Collection, (Qutab Hotel)
Shaheed Jeet Singh Marg, New Delhi 110 016
Tel: +91-11-47451600, Fax: +91-11-46560417
Email: skillgapstudies@nsdcindia.org
Web: www.nsdcindia.org