

## **Retail Management**

**Block**

# **6**

### **CONTEMPORARY ISSUES IN RETAILING**

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**UNIT 22**

**Ethical and Legal Issues in Retailing**

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**Careers in Retailing**

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## BLOCK 6: CONTEMPORARY ISSUES IN RETAILING

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There are numerous opportunities and challenges facing the retail industry. An awareness of emerging opportunities and challenges can shape an effective response. This block, *Contemporary Issues in Retailing*, containing two units, gives a finishing touch to this course by browsing on two points, namely, ethical and legal issues in retailing and the career opportunities available in retail industry.

Unit 22 - *Ethical and Legal Issues in Retailing*: Consumerism is increasing. Organizations, particularly large ones, are under increasing scrutiny. A retailer should function in such a way that caters to societal norms and set standards. For retailers to adhere to such norms, ethical and legal standards have been framed. An ethical attitude is the need of the hour in retail business — this is emphasized in this unit by discussing issues related to the process of buying and selling the merchandise by retailers. Also, this unit stresses the aspects of ‘social responsibility’ and ‘environment-concern’ of a retailer when doing a business. The use of understanding legislative issues in relation to operations and handling of suppliers, competitors, consumers, and employees are given in this unit.

Unit 23 - *Careers in Retailing*: Retail has potential for highly localized employment. The potential for employment for those with lesser education is higher. It is seen as a major driver for employment. This unit touches on this facet while inquiring into skills requirement for entering this sector in India. The characteristics of a retailer, the working environment and deriving job satisfaction are discussed here. The various levels of cadre one can assume in the retail industry are also specified in this unit.

## Unit 22

# Ethical and Legal Issues in Retailing

### Structure

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- 22.1 Introduction
- 22.2 Objectives
- 22.3 Focus on the Customer
- 22.4 Dealing with Ethical Issues
- 22.5 Social Responsibility
- 22.6 Environmental Orientation
- 22.7 Legal Framework
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- 22.12 Answers to Check Your Progress Questions

*Your customer doesn't care how much you know until they  
know how much you care.*

- Damon Richards, Customer Care Expert

### 22.1 Introduction

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Customers might not always be drawn to a business with a strong sense of ethics, but a lack of ethical behavior patterns will turn away customers and the community.

Like quality, customer focus and responsiveness, in these times of tough market situations and cut-throat competition, business ethics has become another source of competitive advantage that retailers aspire for, to improve the company's image and to attract new customers.

Apart from abiding by the mandatory rules and obligations of a legal framework, retailers feel responsible for the society they are operating in. Legal laws can only be imposed on firms for protecting the interests of the society by curbing bad practices. But the challenge of retailers in earning the goodwill of customers lies in being more sensible and projecting a truthful and caring attitude through ethical practices, community development programs and other forms of voluntary service.

The presence of an ethical sense may not necessarily attract customers, but the absence of the same certainly puts off several customers and turns them away. Ethical issues are not only an object of concern for people across the



## **Block 6: Contemporary Issues in Retailing**

supply chain - vendors, suppliers, distributors, and customers - but also important for the shareholders and community at large. Ethical reputation often acts as a differentiating factor among various retailers. In this unit, we shall look at the ethical and legal issues that confront the retailers.

### **22.2 Objectives**

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After reading through the unit, you should be able to:

- Underline the importance of taking ethical decisions that helps in establishing ethical standards in retail business
- Value the role of corporate social responsibility that aids retailers to function as socially responsible business units
- Elicit the significance of environment-friendliness in operations that instill responsibility while conducting business
- Infer details from the legal framework associated with retailing that helps in maintaining various relationships in the supply chain management
- Devise effective consumer and employee relations that are vital for the smooth functioning of retail business.

### **22.3 Focus on the Customer**

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The changing market-place dynamics and intensifying competition are leading to an increasing emphasis on the customer. The customer is the one who ultimately benefits from competition among firms, because this competition results in better bargains for customers as to both the choice of products and the price. Retailers' dealings with suppliers, competitors, employees, and customers are governed by various rules and regulations specified by the government.

To build an organization and maintain its reputation and goodwill, retailers need to address issues of wider interest than merely abide by the law. Retailers in the new era have added responsibilities - ethical, social, and environmental responsibilities. The negative publicity received by some retailers when faced with such situations like trash disposal has brought these concerns into the limelight. The importance that green marketing has gained in the recent years is also a reason for retailers' newly developed concern for the environment, which has resulted in waste reduction processes.

Retailers also must keep checking the effect of their existence and practices on the environment and the localities around them. As environmental concern among customers has increased, the need for retailers to establish themselves in the customers' minds as environmentally-friendly firms has also increased. Almost all firms now understand these changing dynamics, and hence, being socially responsible is fast becoming a norm rather than a distinguishing factor.

**Example: John Lewis Rewards Customers for Recycling Clothes**

John Lewis' 'Fashion Cycle' program rewards members for donating pre-loved apparel. Members may bring five pre-loved items to John Lewis stores to be resold or recycled and earn £5 off a fashion or homeware purchase when they spend £20 or more. John Lewis created Fashion Cycle because 300,000 tonnes of textiles are dumped annually. The retailer's Partnership Plan aims to lower this number.

In the future, the business plans to provide a 'buyback' option for each product category. John Lewis and Satcol are working on the project. Satcol's sorting center separates textiles into three grades: A for charity stores, B for secondary markets, and C for end-of-life or unwearable textiles. A textile machine will sort c-graded products. These are repurposed into pet bedding and carpet underlay.

John Lewis members may use Fashion Cycle by bringing in five pre-loved items, choosing a new product, and showing their membership card to the cashier. In addition, John Lewis will install Fashion Cycle containers so customers may recycle unwanted goods.

Sources: i) <https://www.johnlewis.com/our-services/fashioncycle> Accessed on 29th September, 2022

ii) <https://greenretail.world/2022/07/25/fashioncycle-john-lewis-rewards-members-for-recycling-clothing/> Dated - July 25th, 2022 / Accessed on 29th September, 2022

## **22.4 Dealing with Ethical Issues**

Very often, ethical dilemmas and financial pressures influence organizational practices. Some retailers have a written code of ethics, which guide their employees. Such a code of ethics generally deals with the retailers' relations with suppliers and customers. Some retailers do not have such a written code of ethics, because ethical situations are not predictable. Instilling ethical thinking in employees is a challenging task in the retail sector, like in any other sector. One way to deal with this challenge seems to be recruiting persons with a moral stand and good attitude. But, in practice, such a precaution alone will not ensure the perfect ethical functioning of employees.

Moreover, employees tend to face dilemmas for which there is no perfect solution, like the dilemma of sympathy vs. written rules, the dilemma about whether to accept a friendly gift from business partners, and so on. There are no set standards to help an employee judge if a decision is ethical. Each person who is confronted with a situation will have a different view.

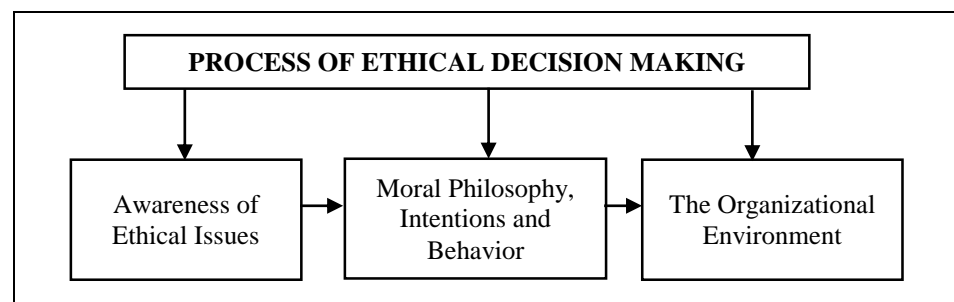
There are other instances in which unethical behavior is clearly visible and directly countable as improper and inappropriate. For instance, a retailer using a not 'to-be-sold' unsealed perfume as a tester and selling the same bottle to another customer as a new one is clearly an unethical practice.

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When breach of professional ethics, as in the case of Walmart's suppliers happens, legal ethics come into the picture. Legal ethics aim at guiding companies against unreasonable actions. Employing children below 15 years of age is not only unethical, but also a punishable offence in the eyes of law. But still there are many retailers who employ children aged below 15 for odd jobs like packaging and cleaning, though they are not directly on the company rolls.

Ethical decisions are based on various individualistic and environmental factors like personal beliefs and thinking, media publicity, opinion leaders, organizational orientation, and top management's attitude and beliefs. Figure 22.1 indicates the ethical decision making process.

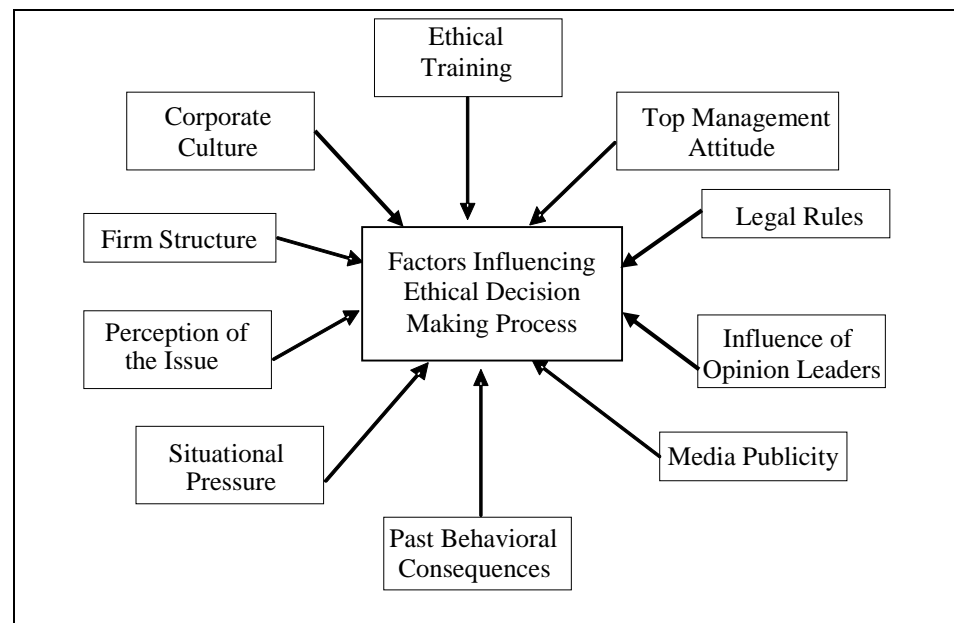
**Figure 22.1: Ethical Decision Making Process**



Source: ICFAI Research Center

Figure 22.2 depicts the various factors influencing the ethical decision making process.

**Figure 22.2: Factors Influencing Ethical Decision Making Process**



Source: ICFAI Research Center

The awareness that a decision involves an ethical issue, that is, the way an individual perceives the issue, is the primary step in the whole decision making

process. Then the personal morals of the employee play an important role. Equally influential at every step of the decision-making process are the organizational factors like corporate culture, the attitude of the top management, the firm's structure, and ethical training. Certain ethical issues that come under the legal framework also guide the decision-making process. Yet again, the behavioral consequences of the past and current behavior, like demotion, fine or punishment will influence the future decision making processes.

### 22.4.1 Awareness of Ethical Issues

Awareness of ethical issues forms the basis for taking ethical decisions. The employee should first realize that there is an ethical side for every decision he takes, otherwise he may intuitively settle upon what strikes him first, without considering its long-term implications on the company and associated parties. This may lead to undesirable consequences for the individual or to the company eventually. Hence, it is very important for a retailer to inform its employees about its policies regarding ethical behavior.

A test for ethical concerns while taking a decision could be to think of the decision in terms of acceptance by others in the company, in the industry and in the media. If the decision seems acceptable to all the groups, then the retailer can go ahead with that decision. Then, there will be little or no chance of any ethical fallout, that is, chances of negative consequences of the decision, eventually. Ethical fallout for individuals could be in the form of suspension, probation, loss of job or even imprisonment. Ethical fallout for the retailer could be in the form of fine imposed, spoilt image, reduction in customer base and profits, and in worst cases, government investigation and regulations, and public disapproval of the industry.

### 22.4.2 Moral Philosophy, Intentions, and Behavior

The employee's attitude and his moral philosophy come into action when he becomes aware of the ethical issues attached to a decision. The moral philosophy of an individual is the character traits that are integral to his nature - his basic thinking, beliefs and concerns, his perception of 'right' and 'wrong', that play a role in taking any kind of decision. Action follows thinking and beliefs and, hence, whether the decision-maker is only concerned with the result or the means of achieving that result as well, depends on the morality of the individual.

Retailers can be classified into three groups based on their philosophical perspectives in solving day-to-day retail management problems - teleologists, deontologists and relativists.

**Teleologists** are those individuals, for whom any action is ethical so long as it produces the desired results. Some teleologists are egoists who always look for what they are going to gain personally by doing something. If, by selling the customer database, they get a huge amount of money, they consider it a good sale.

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The other group of teleologists are utilitarians who think of the benefit of people at large, and consider an action ethical if it produces useful outcomes for most people. Retailers in this group may stop purchasing a brand if it is known that the producers do not adopt proper waste disposal measures.

***Deontologists*** are those people for whom the result is not of as much value as the means. The effect of their action on the people involved in the action is their concern. For example, installing surveillance cameras inside trial rooms to detect theft is not an acceptable practice for deontologists.

For ***relativists***, the practice that is being followed by most people is the standard ethical behavior. What most stores (other than theirs) do is an acceptable practice for them.

An employee intends to behave in a certain way based on his moral philosophy and his understanding of an associated ethical issue. His behavior is guided by whether the intended behavior is considered ethical by other people in the organization. Individual intentions may not always take shape as behavior because there are others' intentions that may affect these intentions either in a good or a bad way. For example, a sales person with good intentions may intend to tell the customer about the cost-benefit of a product over the one that the customer wants to purchase, but may not actually do so because of the fear of inviting the wrath of his supervisor.

### **22.4.3 The Organizational Environment**

The environment prevailing in a retail organization has a major impact on the decisions made by its employees. There are two theories that define the organizational role in the employees' ethical decisions - Bad Apple Theory that holds unethical individuals responsible for unethical decisions, and the Bad Barrel Theory that throws the blame for an unethical act on the whole organization. In practice, however, the organization does have an impact on the ethical decisions that its employees make. Over time, the employees also exert an influence on the organization through the consequences of their ethical decisions and behavioral outcomes of the same.

The culture of an organization has some characteristics embedded in it, which influence the decisions of an employee. Some such factors are: the stand taken by the organization in the past about suspending an employee performing exceptionally well for bad conduct, whether the firm succumbed to the temptation to buy goods from the gray market offering products of the same quality for a price much lower than the suppliers etc. Such aspects would all pass on to the employees through the grapevine, however hard the management may try to suppress them. And such stories would be the guiding blocks for the employees, irrespective of the written code of ethics or the ethical image of the company projected by the management.

An organization should reflect its ethical philosophy in its working. Retail firms should display a stern attitude in dealing with unethical practices. They must set an example for their employees. Even in tough market situations and at times when a small unethical step may bring in big benefits, firms should stick to their moral stand. Such actions would spread an ethical sense across the organization and create an impression on the employees like no code would do.

Even a retailer's organizational structure affects the ethical thinking of the firm. In case of a decentralized organization, though flexibility is an advantage, a certain cost is involved in keeping control on the employees. As the authority to handle situational problems is given to those who are in the field, putting a check on employees' activities becomes difficult, and deviations from the accepted ethical practices generally do occur. At such times, the retail organization can only hope for a consistent moral philosophy in its employees. Another problem with a decentralized structure is that the supervisors transfer the blame of any inefficiency to their subordinates.

In centralized organizations, free flow of information to the top management is ensured. However, if there are more levels of management, information may be lost or distorted before reaching the top management. So, both structures have their pros and cons in taking ethical decisions and showing ethical behavior, and neither of them ensures a perfect ethical atmosphere.

The instances of 'passing blame' and 'refuting allegations' should be taken seriously and resolved immediately through a thorough investigation. Serious action should be taken against anyone who is found guilty, irrespective of his position, status, or cadre. Practicing discrimination in the action taken against unethical behavior keeping in mind a person's position (for example, an employee who is closely related to the CEO) would create a negative impression about the management's commitment to maintaining the ethical standards that they preach.

There are certain things that a retail employer must keep in mind while hiring employees like not rejecting an applicant because of race or color.

### ***Employer Ethics***

Factors like gender and ethnic background should never be the criteria for rejecting an applicant. Many retail firms in America encourage and take pride in the workplace diversity. In addition, the hiring, promotion, and compensation policies should be equitable and transparent, if the retailer wants to develop an environment of healthy competition in the firm.

### ***Employee Ethics***

Just as an employer is expected to be fair and unprejudiced with his employees, employees too have a responsibility towards their employer. There is nothing more an employer would desire than the employees developing a sense of

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belonging to the company, and acting accordingly. But it is frequently found that retail employees resort to several unethical practices like theft, which cause a loss to the company.

Here again, there is no set of written rules to decide or judge an employee's action as unethical. For example, one employee may find it unethical to take home even a pen that belongs to the company, but for another employee, only an action that would cause a countable loss for the company may be unethical. Though it is personal ethics that come to play in such situations, one common practice that is considered unethical by everyone alike is stealing - a practice that is most prevalent in the retail industry. Theft has become a major problem for many retailers across the globe. The big size of retail stores, the large number of salespersons, and huge variety of products make it very difficult to keep a regular check on the products and closely monitor the salespersons' activities.

Job switching is another area where individual consciousness and personal judgment come to play. An employee shifts jobs for numerous reasons like increased pay, challenging work, growth prospects, location, company repute, etc. But when moving to a different company, which most probably is another retail firm, an employee should never disclose the confidential information of the previous company to which he had access.

### **22.4.4 Company Ethics Programs**

It is required that the retail firms have policies for thorough checks and controls, especially for those categories of employees who are faced with ethical issues more often than others due to the very nature of their job. There should also be a well-designed, easily understood and confidential reporting and complaint mechanism, so that any unethical practice would come to the notice of the management. Many of the Fortune 1000 firms (almost one-third) have set up ethics committees to carry out appropriate procedures when ethical dilemmas arise in the organization.

The importance of ethics programs lies in their ability to minimize unethical behavior. Developing a framework of ethical behavior expected from employees would be a proactive action on the retailer's part. A code of ethics reflects a retailer's effort to maintain an ethical retail environment. The code of ethics acts as a guide for employees in dealing with ethical issues that may arise while performing their jobs. Such a code should be provided to all the employees. And they should read, understand, and sign this code of ethics, thus showing their consent to abide by it.

The next important step in an ethics program is its enforcement. Any violation of the code of ethics should be strictly dealt with. Transparency and consistency should be maintained while dealing with various cases of code violation. Managers may even need to resort to dismissals or suspensions if the need arises.

The management should also keep itself well-informed about what is going on within the firm. It should encourage employees to report any breach, and keep the identity of those individuals confidential.

**Example: Starbucks -The Coffee And Farmer Equity (C.A.F.E.) Practices**

The company sources its coffee from over 400,000 farmers in over 30 countries, purchasing 3% of the world's supply. To ensure that Starbucks only buys coffee grown and processed sustainably, SCS collaborated with Starbucks and Conservation International to create the Coffee And Farmer Equity (C.A.F.E.) Practices standard.

More than two hundred social, economic, and environmental indicators such as financial reporting, worker rights, water conservation, and biodiversity are included in the C.A.F.E. Practices Generic and Smallholder Scorecards. Each stakeholder, from the farmer to the customer, is considered.

Four criteria areas are 1. Economic Transparency 2. Social Responsibility 3. Environmental Leadership 4. Quality

**Supply Chain**

Supplier Code of Conduct compliance is mandatory, and Starbucks ensures that human rights commitment is reflected in all of the ethical sourcing programs and standards, such as the C.A.F.E. Practices, third-party certifications for tea (such as Rainforest Alliance), cocoa practices, manufactured goods and services standards, and conflict minerals policy statement. Terms and conditions for verifying ethically sourced coffee, operating standards and guidelines for third-party verifiers, and a commitment to third-party impact assessments and reporting are all part of our C.A.F.E. Practices.

Since it only purchases 3% of the world's coffee beans, it makes sure that 99% of it is ethically sourced. However, that is not all: Starbucks has contributed over \$150 million to coffee growers' economic well-being and stability worldwide.

*Source: <https://stories.starbucks.com/press/2020/cafe-practices-starbucks-approach-to-ethically-sourcing-coffee/> February 28, 2020 / Accessed on 29<sup>th</sup> September, 2022*

## 22.5 Social Responsibility

Sometime after its inception, every retailer feels an obligation towards the society in which it is operating. Though not mandatory, caring for the community and country becomes a retailer's felt responsibility while doing business in the society.

Retailers make societal contributions for several reasons, and not always in anticipation of benefit for the organization. The urge sometimes drives them to serve, sometimes as a form of appreciation for the credible work done by charities, sometimes by the wish to help people struck by a calamity, sometimes



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by the desire to sponsor events in the performing arts, sometimes by the urge to give donations to government programs, and sometimes by the desire to build a positive image in the society and the corporate world. Still, the fact remains that most of the time retailers are motivated to take up these activities to earn the goodwill of customers as a store associated with a worthy cause, rather than just the mind-share as a good store. Over time, social activities create goodwill for retailers among the customers and the society.

Moreover, such charitable activities bring in the advantage of tax rebates for retailers. In cases of excess inventory, retailers donate the excess goods to charitable institutions and avail a tax rebate, thus helping both those organizations and themselves. Some of the social activities undertaken by retailers are discussed below:

### **22.5.1 Cost-free Activities**

Out of the various ways in which retailers show care for the society, some like the employers' and employees' participation in group activities that are community-oriented are cost-free, while others like cash donations for charity are expensive.

### **22.5.2 Legally Mandated Activities**

Some kind of social responsibilities, like paying taxes to the government and paying them on time, and disposing of wastes in a careful manner, are legally supervised and are mandatory. Wheelchair accessibility to the store premises is a legal mandate in the US.

### **22.5.3 Policy Influenced Activities**

Embedded in the company's policies are some societal obligations like hiring handicapped people and those belonging to minority communities, cooperating with school and college students regarding information for their studies, treating all customers equitably, and ensuring that the customer finally benefits from competition.

### **22.5.4 Group Imposed Activities**

Group dynamics play a significant role in altering individual attitudes towards social responsibility. There are certain restrictions that some groups impose upon themselves, like uniform work hours and cooperative security forces, which are followed by retailers, though not mandatory legally.

### **22.5.5 Interest-groups' Coerced Activities**

Interest groups are organizations of people who share common interests. They aim to influence certain policies through electioneering or lobbying. Special interest groups play an important role in forcing certain actions on retailers. Under this category come boycotting certain products or brand manufacturers for the

bad advertising of products or for the manufacturer's unethical behavior - things that these special interest groups find offensive. Retailers try to solve such problems by mediation - a process in which a neutral third party enters the scene, listens to, and understands the arguments from both sides, and tries to resolve the conflict by suggesting a mutually agreeable solution.

#### 22.5.6 Free-will Activities

Various kinds of activities carried out by retailers as a part of their social responsibility are:

- Projecting an 'environment-friendly' image by using paper bags instead of polyethylene bags, using recycled paper, and promoting bio-degradable products and products that have not been tested on animals.
- Retailers' representatives helping in traffic control during high-peak traffic hours.
- Collecting donations on behalf of charitable organizations by placing a donation box at the cash counter.
- Participation of company associates in events that make a difference to the community.
- Facilitating social mobilization by setting up counters where the public can donate.
- Giving cash or product donations to the needy.
- Using greeting cards made by mentally challenged children or societies/ organizations working for handicapped people, for festive occasions.
- Hosting social events.
- Donating a part of the sales for a definite purpose or to an organization.
- Sponsoring cultural functions for the disabled and old age homes.
- Offering merit scholarships to poor students.
- Employees providing honorary service for community development activities.
- Providing discount coupons for shows organized by charity organizations.

#### **Example: Corporate Social Responsibility@ Reliance**

Reliance contributed ₹ 1184 crore to need-based Corporate Social Responsibility (CSR) initiatives. These CSR initiatives of Reliance Foundation implements these initiatives with the motto of "Seva or service to humanity."

*Comtd....*

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In addition, in the largest humanitarian crisis, the Reliance Foundation established a countrywide COVID-care infrastructure that has helped thousands of people. As a result, over a million critically ill patients received free medical oxygen daily, and thousands of personal protective equipment kits were distributed at no cost to frontline workers. Furthermore, on behalf of Reliance, the non-profit organization Anna Seva gave over eight and a half million meals. In addition, Reliance donated over forty thousand vaccinations to help the country's vaccination drive. Also, Reliance undertook projects in rural revitalization, Health, education, disaster relief, and sports for development, building elementary schools and Anganwadi center infrastructure, providing financial aid for further education through scholarships, propagating Outstanding Institution, the Jio Institute, and Related Activities, Such as Vocational Training and Program Collaborations. In addition, initiatives like the program for Sustainable Livelihoods and Public Works Improvement were part of social responsibility activities under Rural development.

Sources: i) <https://www.businessinsider.in/business/news/mukesh-ambanis-reliance-industries-spends-rs-1184-crore-on-csr-in-2021-22/articleshow/91809896.cms> May 26, 2022 / Accessed on 30th September, 2022

ii) <https://www.ril.com/DownloadFiles/CSR202122.pdf>-Report on Corporate Social Responsibility FY 2021-22 / Accessed on 30th September, 2022

### Activity 22.1

Many global retailers are interested in setting up giant retail stores in the area of multi-brand retail. There is a lot of opposition in India for the move to allow 100% foreign equity in multi-brand retail. What are the ethical issues involved in the passing the legislation? Would the local unorganized retail sector be disrupted as a result? Present your point of view along with appropriate justification.

### Check Your Progress – 1

1. Which of the following factors does not influence ethical decision-making process of a retailer?
  - a. Top management attitude
  - b. Ethical training
  - c. Situational pressure

- d. Legal rules
  - e. Individual choices
2. Which of these options is not an approach that is generally adopted while viewing the ethical acceptability of a decision?
- a. Acceptance by others in the company
  - b. Acceptance by others in the industry
  - c. The legality of the decision and its acceptability from the government's perspective
  - d. The general good of the customers and the public
  - e. Acceptance of decisions by the competitors
3. Which of the following is a person who believes that what the majority of people are following is the standard ethical behavior?
- a. Deontologist
  - b. Relativist
  - c. Rationalist
  - d. Pluralist
  - e. Teleologist
4. Who among the following individuals think that any action is ethical as long as it produces the desired results and who always look for what they are going to gain personally by doing something?
- a. Deontologists
  - b. Relativists
  - c. Rationalists
  - d. Pluralists
  - e. Teleologists
5. Retail organizations indulge in activities as part of their corporate social responsibility, to contribute in social development and develop the goodwill of the organization in the society. They initiate different types of programs. Which of the following is/are the type of program(s) initiated as part of corporate social responsibility?
- a. Cost-free activities and legally mandated activities.
  - b. Policy influenced activities.
  - c. Group imposed activities.
  - d. Interest-groups coerced activities and free-will activities.
  - e. Cost-free, legally mandated, group imposed activities, interest-groups' coerced and free-will activities.
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## **22.6 Environmental Orientation**

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Retail firms are growing increasingly and are responsible for preserving the environment and the society. Almost all firms have written statements mentioning what they strive to do for the society at large. The planning and budget allocation at the start of the financial year includes budget allocation for such activities.

Along with the usual celebrations on occasions like the anniversary of the stores, retailers are found to be inclined towards environment-related activities like planting trees and organizing painting contests for children. In addition, some retailers take the responsibility for maintaining gardens created by the government or trees planted on the road dividers.

### **22.6.1 Waste Reduction**

Socially-responsible retailers will strive for reducing green-house effects during their product life-cycle process. This includes strategic solid waste management and handling hazardous wastes that would go as landfills. Just like vision and mission statements, many retailers now have a policy statement on waste management to guide employees' actions. Body Shop International initiated a waste reduction policy in 1976, and continues to follow the same till now. Some retailers also encourage suggestions from employees on this front by rewarding the employee who comes up with the best suggestion on waste reduction.

### **22.6.2 Recycling**

Recycling has caught the attention of almost all retailers worldwide. An unsound recycling practice by a retail firm is a threat to the environment. The best example would be the recycling of plastic waste management that emit fugitive emissions. Hence, recycling in an eco-friendly way is a necessary condition for a retailer to run an ethical business. Waste materials such as cardboard and paper that are commonly generated in the retail industry can be easily recovered for recycling. Incorporating recycling in retail operations, in fact, sends a positive message to customers about the retailer's environmental concern and cost-consciousness.

A large portion of any retail store's waste consists of packaging material (particularly corrugated cardboard), much of which is generated outside the retail establishment. Efforts to reduce such waste must be made in cooperation with vendors. For example, to avoid unnecessary packaging for the products being shipped into the stores, the retailers can plan along with vendors how to reduce packaging and what materials they can use for packaging and which of them can be recycled or reused.

The process of retail recycling (in simple steps) is as provided below:

- Identify waste producing practices
- Switch to alternatives wherever possible

- Identify recyclable materials
- Provide training on recycling to new employees
- Orient the ground staff about trash separating procedures
- Arrange recycling containers at common areas
- Put up visible signs instructing consumers to recycle products

Right from retailers themselves using recycled paper for paperwork within the organization, to reusing the incoming bags and boxes as packaging for customers, to promoting trash recycling among customers by organizing contests for awareness and setting up collection counters for used aluminum cans, plastic covers, paper bags etc. the efforts seem wide in this area.

Recycling becomes an important component to every retailer functioning from any country as the quantum of wastes generated is huge. For example, high-income countries generate more dry waste that could be recycled, including plastic, paper, cardboard, metal, and glass, which account for 51 percent of waste.<sup>1</sup>

At a time when environmentalists are concerned about India becoming a dump yard for plastic waste from countries across the world, retailers need to join hands with manufacturers for retrieval and safe processing of plastic waste. Retail chains in the US have gone a step further by offering marginal financial rewards to customers who return the plastic tins and bags for reuse.

Creating awareness about recycling by way of organizing poster and essay contests for school children and putting them up inside the store is something retailers can comfortably afford. Not only are retailers promoting recycling programs, but are also taking measures to reduce the use of plastics by using more paper bags in place of plastic ones, by avoiding the use of plastic wrappers for gift wrapping, etc. Today's environment-conscious customer would naturally appreciate such moves.

### **22.6.3 Packaging**

The consumer is becoming increasingly environment-conscious and widely aware of ways to lessen the burden on Mother Earth. Customers now are willing to buy products with little or no packaging, or packaging materials that are reusable. People are growing more conscious about the well-being of the environment ('Green Movement'). This has led to an increase in the responsibility of the retailers not just to stock and sell whatever is bought from the suppliers, but to check for the quality of the products and the effects those products may have on the customers and the environment before they agree to add a product to

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<sup>1</sup> [https://datatopics.worldbank.org/what-a-waste/trends\\_in\\_solid\\_waste\\_management.html](https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html), 2022 (accessed on November 29<sup>th</sup> 2022)

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their shelves. The advent of this concept, often addressed as ‘green marketing’ has generated concern among retailers about the suppliers’ manufacturing processes, their ethical beliefs and environment-friendly practices.

With the standard norms for labels firmly in place, a look at the packaging of a product gives insights into the environmental friendliness of the brand. A glance at the package clearly indicates whether any animal fat has been used in a product, even as a scanty ingredient, whether it is tested on animals, whether or not it is bio-degradable, whether the package is made of recyclable paper etc.

In fact, the retailer can pass on favorable messages to the customers by displaying the signs of environment-friendliness at visible spots in the store.

Despite all these, the basic questions - whether the customers would be willing to bear the extra cost involved in such careful investigations?, whether they would accept a product slightly inferior to other products in terms of quality, though much better from the ‘green movement’ perspective? - remain unanswered.

### **Example: Environmental Orientation Program - Strategy 6.25**

Mercadona is a reputable Spanish supermarket chain with 1,636 stores in all 17 Spanish regions. Mercadona invested 140 million euros in an environmental orientation program called Strategy 6.25. Developing Strategy 6.25 requires modifications to several corporate processes, including the layout of future packaging in conjunction with suppliers and the adaption of shops, logistics, and waste management. Strategy 6.25 includes six initiatives to reduce packaging plastic by 25%, recycle all plastic packaging, and recycle all plastic waste by 2025.

The company has eliminated single-use plastic bags and household items and is continuing to minimize plastic packaging, improve product recyclability, and offer customers recycling information. In less than a year, the chain has modified all of its stores to the 6.25 Store concept to reduce plastic and waste. Recent examples is its virgin olive oil spray, which no longer has a plastic sleeve. Its whole line of double pizzas, now utilizes 23% less plastic in its Spackaging. The Thai Chilli sauce is now packaged in glass rather than plastic. Similarly, its automotive air fresheners are now made of cardboard rather than plastic. More than 267,000 tonnes of recyclable materials are recovered by Mercadona and used as raw materials in manufacturing cycles.

*Source: <https://info.mercadona.es/en/lets-protect-the-planet/our-actions/mercadona-has-been-accelerating-the-reduction-in-plastic-usage-over-the-last-two-years-through-strategy-625/news> 23<sup>rd</sup> September, 2022 Accessed on 30<sup>th</sup> September, 2022*

## **22.7 Legal Framework**

To ensure that customers are not deceived, laws are enforced on retailers. In India, Competition Act, 2002 (the Act), is the principal legislation that deals with

Anti-Trust issues. The law prohibits (i) anti-competitive agreements and (ii) abuse of a dominant market position that will harm a consumer in terms of increased prices or low quality of goods or reducing the choice of products for the customers.

Yet another Act is the Consumer Protection Act, 1986, which aims at preventing practices having adverse effect on competition, promotes and sustains competition, protects the interests of consumers and ensures freedom of trade. Separate Consumer Dispute Redress Forums have been set up throughout India to this effect. The Consumer Protection (Amendment) Act, 2002, provides the establishment of Consumer Protection Councils (District, State and National levels) to create, educate and promote awareness of the consumer rights by the end users of goods and services.

To protect the consumers from being cheated by deceptive claims and monopolistic practices of the retailers, we see an increase in legal enforcement these days. Legal issues governing the retail environment should be constantly studied to understand the legal regulations constraining the retailers' operational flexibility.

Retailers cannot afford to be unaware of the laws or to stay ignorant of the kind of effects those laws may have on the way they do businesses. Such ignorance would certainly cost them dear. Moreover, retailers operating in more than one country (or state) should abide by the rules of each country (or state) they are operating in.

Large retailers keep themselves aware of the changing policies and guiding structures of the government by maintaining legal departments, which sometimes even influence the government regulations. While small retailers cannot afford to maintain such departments, in many countries, there are retailers' associations that keep retailers informed about the proposed changes in laws.

Unless retailers understand the trade regulations like central laws, state laws and local laws that affect them, they cannot make any business decisions relating to products, pricing, promotions, credits, consumers, competitors, employees, or society, freely and confidently.

Such laws cover a wide range of issues like the location of a store, the building structure, its business practices, mergers and acquisitions, pricing, product and promotional activities, trademark infringements, and so on. Let us study the impact of the law on:

- Supplier Relations
- Competitor Relations
- Consumer Relations
- Employee Relations



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### **22.7.1 Supplier Relations**

Retailers have to take special care about not contravening the regulations set by the legal framework, not only in their operations, but also in the suppliers' operations. There are legal regulations concerning the relationship between retailers and suppliers in the areas of pricing, product promotion and channel constraints.

#### **Pricing**

Retailers are not at complete freedom to fix the price to buy or sell the products of their stores. Most of the laws framed by the government are aimed at restricting vertical price fixing and discriminative supplier pricing.

#### ***Vertical Price Fixing***

Vertical price fixing - sometimes referred to as “resale price maintenance” - occurs when a business at one level of distribution (e.g. a manufacturer) dictates the price or terms under which a business at a different level of distribution (e.g. an independent distributor) may resell the goods or services. This type of price fixing was aimed at preventing large retailers from selling goods below the suggested retail prices and negatively affecting the business of small retailers. But later, this practice was considered illegal as it restricted the consumers to obtain goods and services at the best possible price.

The resale price maintenance agreement would be in contravention of the Competition Act, 2002, if such an agreement causes or is likely to cause a considerable adverse effect on competition in India.

The manufacturer can suggest a price for the product being sold, but cannot impose that price on the retailer. Neither the manufacturer nor the wholesaler can threaten to cut off the supply of goods if the retailer does not agree to sell the item at the price suggested by the retailer.

#### ***Anti-Competitive Pricing***

Anti-Competitive pricing occurs when a vendor sells the same merchandise at different prices to two or more retailers. But under certain circumstances, price discrimination is legal. Different prices can be charged to different retailers when there is a difference in the manufacturing, sale, and delivery costs due to differences in the order volume. Retailers cannot be charged with price discrimination (i) if the cost of selling to a retailer is less; (ii) if a change in market conditions affects the marketability of a particular merchandise; and (iii) if they have to match the local competition.

Price discrimination by manufacturers is usually in the form of offering different discounts to different customers (wholesalers and retailers), depending on the order quantity. Manufacturers offer trade discounts on bulk purchases because

their per unit cost of transportation and delivery charges decrease as the order quantity increases. For the same reason, manufacturers offer merchandise at different prices to wholesale and individual retail customers. Functional discounts or trade discounts are different prices or percentages of the suggested retail price, granted to customers in different lines of trade. Wholesalers are given higher functional discounts than individual customers as they perform a range of functions like storing, distributing, merchandise, servicing retailers' orders, etc., which are not performed by individual customers. Both these forms of price-discrimination are exempt from legal action as they are based on the costs associated with servicing customers' orders.

Manufacturers are also allowed to charge different prices to different customers if changing market conditions require a price change to sell that merchandise. If a manufacturer's sales volume declines because a local player is offering similar merchandise at substantially lower prices, the manufacturer can offer that merchandise at a lower price to the retailers in that area. This type of price discrimination is acceptable because the price discount is aimed at matching the competitor's price.

Retailers should not demand/accept any price differentials from vendors when buying merchandise in other than the above mentioned circumstances. But, in reality, large/chain retailers demand and receive more price benefits than individual, small retailers, even when the order quantities are the same. Such price discrimination is considered illegal in the US, as it puts the survival of small/individual retailers at stake and reduces competition in the market.

### **Product**

Products with trademark are legally recognized logo that can be sold in the market by the retailer with the firm's label on the product(s). Such logos, trademarks and patents can legally prevent other companies with similar-featured logos or labels. Products that are similar to original ones but without labels and trademark are counterfeit products. Counterfeiting has become a serious problem in India especially in the unorganized retail sector where, for every successful product say music albums or CDs of film songs there are counterfeit products, akin to the ones distributed by authentic retailers with almost similar packaging. If the brand being counterfeited is trademarked, the act is punishable under the Trade Mark Act of 1999. It is illegal for the retailer to sell such merchandise.

### **Purchasing**

There are innumerable transactions that happen between a vendor and retailer. Firms in the retailing business face more ethical dilemmas while buying merchandise. These include issues related to product quality checking, sourcing, slotting fees, charge-backs, and bribery. Apart from ethical issues, many disputes

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are bound to arise picture when (i) there is a dispute over the terms and conditions agreed upon; (ii) when a retailer stops or deducts money (called chargebacks) that is due to the vendor; and (iii) there is a disagreement for the prices to be charged for the product between the vendor and the supplier. Under such conditions, resolutions are legally sought either through (a) Mediation (b) Arbitration or (c) Med-Arb (a compromise between Mediation and Arbitration).

### **Merchandise Quality Check**

Whether to check the quality of the products brought into the stores is a dilemma unique to retail firms, because in other firms it is almost mandatory to check the quality of goods bought from the suppliers. Retailing involves buying merchandise of company brands as well as private brands and even unbranded ones (garments, footwear, fancy items, gift articles, etc.). The customers buy branded labels based on the reputation and faith in the manufacturer's label, while they buy products sold with the store's label on the basis of their faith in the retailer. But the private labeled ones are items which raise ethical questions. It so happens that customers of a retailer buy the private labeled merchandise with the goodwill they have for the store and their trust in the retailers' judgment. Here, the question arises whether it is proper to sell private labels without checking their quality. Some retailers have started employing their own testing methods for verifying the quality of the private labeled products before deciding to sell them in their stores.

There are situations when goods are returned back to the vendor for various reasons (called reverse logistics). But, for specific reasons like not meeting quality standards or defective goods, the vendors are legally obligated to bear the cost of goods transported or delivered.

### **Sourcing**

Verifying the source of the merchandise is a major problem as it not only involves cost and time, but may also create an irresolvable ethical confusion. The vendor from whom a retailer purchases merchandise may have used child labor in manufacturing it; he may have underpaid his workers; he may have violated social norms. Moreover, such a thing may have happened at any link in the value chain. So, deciding on the extent of ethical responsibility of a retailer is tough. Sometimes, the merchandise that a retailer sells may be the work of political prisoners, but the retailer may have been unaware of the source.

To assure consumers that the source of merchandise is not unethical, some big retailers employ private investigators to check into the sourcing details. Some other retailers employ independent observers for the task of inspecting the sources of the merchandise they buy.

But some retail firms, probably to bring down the buying costs and in turn give customers the best price bargains, are deliberately sourcing merchandise by adopting unethical practices.

Merchandise sourcing can be either from within the country or from international markets. In the case of India, if it is sourced within the country the tax rate as fixed by the GST Bill<sup>2</sup> that came into effect since July 1, 2017, will be applicable throughout the supply chain. However, if a retailer sources the merchandise internationally, as per the GST Law, IGST (Integrated Goods and Services Tax) and GST Compensation Cess will be levied on imports by virtue of sub-sections (7) & (9) of Section 3 of the Customs Tariff Act, 1975. Apart from the legal bindings applicable within the country, the retailer may be required to be familiar with some of the legal requirements of international trade if they have any volume of imported goods in their kitty. In the case of any dispute or grievance that may arise from the goods sourced from international markets, generally, resolution of litigations or disputes is in the country of merchandise sourced.

### **Slotting Fees**

Slotting fees is the money paid by a vendor to a retailer for stocking a new product on retailer's shelves and in its inventory, and for adding its UPC (Universal Product Code) number in the retailer's computer system. A UPC entry gives a permit for individual stores to stock the item. From the retailers' point of view, this fee helps them in coping with the added expenses in the form of storing an additional item in the warehouse, inventory carrying cost, reshuffling the shelves, and replacing the existing items. The slotting fees also acts as a form of minimum guarantee for the retailer to accept a new product into the store. The legal issues surrounding slotting fees are both sensitive and critical and attract lot of scrutiny. It is because law across many countries, in general, considers this as violation and places it under 'Anti-Trust' law as (i) It acts as a barrier to potential small manufacturer's disruptive products from entering the shelves (ii) They act as a major factor in the decision of accepting new products especially from small manufacturers.

### **Charge-backs**

Retailers punish vendors by issuing charge-backs. Charge-backs are the amounts deducted from the invoices of the vendors for breaching any of the agreed upon conditions. Such conditions include early or delayed shipment of goods, use of improper packing materials, and incorrect shipping labels. Sometimes, retailers also collect an allowance for damages during transit. Though some vendors

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<sup>2</sup> This Bill has dispensed off with the Double Taxation that was erstwhile in existence like the VAT (Value Added Tax), CST (Central Sales Tax), Excise and/or Octroi levied by different Central and State Government authorities.

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protest such charge-backs by showing evidence that errors occur for reasons beyond their control, many vendors silently suffer this practice due to the power of the retailer. As discussed under the sub-topic 'Purchasing' above, the legal angles involved in charge-backs are Mediation – involvement of third party to amicably resolve the issue, Arbitration – going through a dispute resolution procedure and Med-Arb: a combination of mediation and arbitration.

### **Bribery**

One of the most prevalent forms of bribery is the inducements accepted by the retailer while buying the vendor's products. Such a practice is traditionally overlooked in many firms and is even considered legal in some countries. In countries like the U.S., it is considered as a crime since it gives scope for wrongful conduct. Many retailers do not have a formal written code or rule pertaining to bribery, but some retailers condemn such practices by their employees. Few retailers are so particular about it that they do not allow their employees to accept even a cup of tea from the suppliers. The ethical dimensions of some retailers extend to their vendors and require that they too maintain integrity in business practices.

### **Channel Constraints**

There are many laws that govern the retailers' relations with other members in the distribution channel. These laws are concerned with practices like territorial restrictions, dual distribution, exclusive dealing and tying agreements. According to the Competition Act, 2002, (enacted by the Parliament of India) it is illegal for enterprise or association of enterprises or person or association of persons to enter any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India. This law will not apply to any agreement entered by way of joint ventures if such agreement increases the efficiency in production, supply, distribution, storage, acquisition or control of goods or provisions of services.

### **Territorial restrictions**

These are restrictions imposed on the retailer by the manufacturer regarding the geographic area where the retailer is allowed to sell products bought from the manufacturer. Within an acceptable purview of matters, for as long as these restrictions are not agreements formed in consensus with a single retailer, and so long as such acts do not restrict the trade by limiting the sale of a manufacturer's products by a retailer, the law (in the US) does not forbid territorial restrictive practices. In case of franchisor-franchisee businesses, territorial restrictions such as those restricting the opening of a new franchisee within some decided distance, help in protecting the franchisee's business to a certain extent.

### **Dual distribution**

Dual distribution is generally not considered illegal or unethical. However, concerns arise when a retailer or a manufacturer adopts dual distribution strategy through his own physical outlet or online store either to drive out competitors out of business or to dominate independent retailers by under-cutting the prices. It is the process whereby the manufacturer sells the products produced by him through self-operated retail stores as well as private retail stores. It is a case of dual distribution when the same product is supplied through two distribution channels. For example, Kodak cameras are sold at Kodak's own retail stores and other organized and unorganized retailers as well.

There are two possible effects of such a practice:

- i. It may foster competition.
- ii. It may damage competition.

In the former case, the manufacturer sells his products through private retail stores in areas where he cannot afford to have his own stores, and sells the products through his self-operated stores where he finds it necessary to do so to remain competitive and gain enough market share. Thus, it fosters competition.

In the latter case, the private retailer and the company-operated stores may compete if both have a presence in the same area, and the manufacturer may win the game by attracting customers through lower prices or increased expenditure on advertising. Thus, an atmosphere of unhealthy competition is created.

The way the regulations affect the manufacturer clearly depends on which of the above effects is the outcome of adopting the practice of dual distribution. There are no specific regulations to control this practice in India. But in the US, while the first outcome is considered favorable by the law, the second outcome is treated as an offence, if strong evidence proves such an effect.

### **Exclusive Dealing**

There are two kinds of exclusive dealing arrangements prevalent in the markets today. One arrangement is the one-way exclusive dealing wherein the supplier or manufacturer enters an agreement with a retailer to distribute his products exclusively through this particular retailer in an area, without expecting any kind of favor in return. While such a practice results in a one-sided benefit for the retailer, it is not an illegal practice.

Generally, two kinds of vendors enter such dealings with retailers with maximum customer visits - a new player in the market who is trying to establish his brand by increasing the awareness of his product through the shelf space of the leading retailer, or a weak manufacturer who is trying to reach the customer through price bargains.

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The other arrangement in exclusive dealing is two-way exclusive dealing, where both the parties enter this kind of arrangement to gain mutual benefits. Such benefits offered by the retailer could be agreeing to share the sales information or promising not to carry a competing brand or a similar product. This kind of arrangement would be considered illegal if it leads to monopoly. In countries like the US, exclusive agreements come under the direct eye of the law in lieu of prohibiting agreements, combinations or conspiracies in restraint of trade. In India too, it is considered to have anti-competitive effects and if found situate under Competition Act, 2002, can even be void.

### **Tying Agreements**

Tying agreements are those whereby the manufacturer or franchisor demands that the retailer stock a new brand or non-selling product as a condition to supply the retailer/franchisee with well-established, 'much-in-demand' product(s). For example, a leading manufacturer with many popular products may force a retailer to handle the entire product line offered by the manufacturer as a pre-condition to selling him the popular merchandise. Such an act is termed as 'full-line policy'. These kinds of agreements are violating the law (under Competition Act, 2002.) if they affect the retailers' business substantially.

### **22.7.2 Competitor Relations**

The survival and success of retailers depend on the level of competition, but competitive practices are very often determined and constrained by rules and regulations. These rules and regulations try to maintain healthy competition and protect customers from deceptive business claims. The laws relating to competition pertain to pricing, promotion, and trademarks.

#### **Pricing**

Horizontal price-fixing occurs when two or more retail competitors agree to sell their products for the same price, or according to some set formula. Such a practice is considered unlawful in the US because of its potential impact on the consumers' bargaining power. It is illegal for competitors to enter agreements for raising, stabilizing or otherwise affecting prices. Even an informal understanding concerning prices between competitors is illegal. In fact, any agreement affecting price levels in any way is illegal. Even exchanging price information with competitors violates antitrust laws, if it affects prices.

#### **Promotion**

Deceitful diversion of patronage is an offence in the eyes of law. A retailer trying to harm competitors by attracting customers through false claims, either verbally or symbolically, can be said to be violating the law as per the Consumer Protection Act, 1986. But to claim such a suit, the competitor needs to provide evidence of the damage caused.

‘Palming off’ is another kind of offence through which a retailer tries to deceitfully divert patronage. Palming off is the practice in which the retailer labels the goods of a manufacturer as someone else’s. For example, the retailer purchasing clothes in lots from some place and selling them in his stores with the label of a known brand or a designer’s name is a punishable act, even if the manufacturer’s or designer’s label is not trademarked.

### **Trademarks**

Retailers can register their store names, logos, and private labels through trademark registration laws. But it is the responsibility of the retailer to keep an eye on the market to check whether its trademarks are being used by anyone else. Though the law does act if such infringements are brought to notice, there are no agencies to check for infringement of trademarks. New retailers use trademark search teams to check whether the brand name or logo that they plan to use already exists. This way, they eliminate the probability of being sued for trademark infringement, and consequently losing huge amounts of money.

#### **22.7.3 Consumer Relations**

Consumers today, more than ever before, are wary of tantalizing offers from retailers. They are intelligent enough to differentiate between genuine offers and fake sales tactics. Moreover, the law is actively making rules to safeguard the interests of the consumers. These rules are discussed under pricing, promotion, product, and consumerism. Ethics in selling is also discussed.

### **Pricing**

Pricing rules are concerned with a retailer’s deceptive and predatory pricing practices:

#### ***Deceptive Pricing***

Advertising incorrect prices to attract customers into the store, and later adding on some hidden charges to the price advertised for the product, or terming the product as unavailable, come under deceptive pricing. This unfair practice, also often termed as ‘bait-and-switch pricing’, adopted by retailers to deal with the competition, is considered an offence by the ‘misleading price indications’ and ‘bait advertising’ clauses of the Consumer Protection Act, 1986. Such tactics not only cheat the customer, but also harm the competing retailers.

#### ***Predatory Pricing***

Predatory pricing occurs when a dominant firm sells products below cost for a long period to drive away competitors from the market. Firms who have market power in more than one market may set prices below cost for a period to drive out rivals and restrict the entry of new players. Large retailers who give massive discounts are also using the predatory pricing strategy to destroy independent,



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small retailers, which cannot compete on price. After the small retailers have been forced out of the market, the large ones generally increase prices to a level that is higher than that which had been earlier set by the small businesses. This is specifically stated as an anti-competitive practice according to Competition Act, 2002.

This pricing practice of the retail chains offering the same products at different prices in various geographical locations to eliminate competition is specifically stated unlawful by the laws of some countries. Selling goods at unreasonably low prices to win over competitors is also a forbidden practice.

### **Promotion**

Promotions refer to the entire set of activities that propaganda about the brand, service or product to the consumer. With the sole intent to promote a particular product or brand, firms might adopt certain unlawful promotional activities. Unlawful promotional activities constitute deceptive advertising and deceptive sales practices:

#### ***Deceptive Advertising***

It is most difficult for the law to prove a retailer guilty based on deceptive advertising. This is because there is a very subtle difference between misleading claims and puffery promotions.

If an advertisement is found misleading in nature, that is, if it is found to be making false claims about the look or the taste or the ingredients, or the uses and benefits of buying it, the retailer can be easily held responsible for such material claims. At the other end, subtle claims can always be dismissed by the retailer either by attaching a different sense to the claim or by quoting it as the opinion of the spokesperson in the advertisement.

In bait and switch advertising, 'bait' is the benefit or claim that the retailer makes to attract the customer into the stores, while 'switch' is the alternate or the 'real motive' that the retailer tries to promote once the customer comes into the store. Here, a retailer lures a customer by advertising goods and services at exceptionally low prices; then, when the customer contacts the retailer, a salesperson informs him that the good/service of interest is out of stock or of inferior quality. The salesperson tries to convince the customer to purchase a better, more expensive substitute that is available. The retailer has no intention of selling the advertised item. The primary aim of a bait advertisement is to obtain leads, i.e. the persons interested in buying merchandise advertised. The store using this type of pricing never intends to sell the advertised product. The only idea is to kill the customers' desire to buy what is advertised and then try to convince the customer to buy a more expensive item. This type of advertising is an unlawful practice under the Consumer Protection Act.

This type of advertising is unfair and deceptive when the retailer:

- Compares the “Sale” price with the “Regular” price of a product while he has not sold that product at the “regular price” being quoted for at least 50 per cent of the time in the recent, regular course of business.
- Compares the “Sale” price with a higher price being charged by other retailers for the same or similar merchandise, when the merchandise has not been sold in that trade area at the higher price being quoted.
- Claims that a customer can get a savings off the list price, while those products are not regularly sold at the higher price (list price) by retail outlets in that trade area.

### ***Deceptive Sales Practices***

There are some kinds of sales practices that are considered illegal. Omitting key facts in advertisements or in promotions by the salespersons is an unlawful practice for which the retailer is held responsible because it is the retailer’s firm that the salesman represents. Hence, the retailer should take care to select the right salesperson and provide all the salespersons with the right kind of training, both in terms of products and company policies.

Using deceptive credit contracts is another illegal practice, whereby the customer is not provided with the right information to make purchase decisions. In these cases, the retailer generally hides facts/information or confuses the customer on the credit terms.

Superficial discounting is another deceptive sales practice that retailers use to lure customers into buying products, which they otherwise would not. In this case, retailers present a product as remarkably valuable just by showing reductions from an exceptionally high price, which never existed.

### **Product**

A retailer selling any kind of merchandise in his stores must provide information to the customers about its safety and capability to serve their needs. Laws pertaining to the products sold by the retailers focus on product safety, liability, and warranties as follows:

#### ***Product Safety***

The retailer cannot be held responsible for the hazards that any of his merchandise may cause to the customers who use it. However, the fact is that though the retailer is not a manufacturer and does not really know the intricacies of the product(s) he is selling, he can be held responsible for hazards caused using these products. This is because the law (in the US) requires the retailer to take the responsibility of checking the products he is selling for safety, and if he notices the chances of any product hazard, he must report to the safety commissions.

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Because all this involves substantial cost for the retailers, they opt for reputed brands so that they are assured of the company's guarantee about the safety of the product. Thus, the safety of the ready-to-sell products and durables is ensured either by monitoring the products or by relying on manufacturers of well-established brands, who cannot afford to put their reputation at stake by selling products which are unsafe.

Despite these precautions, retailers selling eatables should be extremely careful. For example, if a retailer is careful about the instructions written on the to-be-cooked items, like the cooking time, the amounts of ingredients to be added, and so on, no harm would be caused due to improper cooking. Furthermore, thorough checks should be carried out on the expiry dates of all kinds of items stored and sold in the stores.

### ***Product Liability***

The law in some countries holds that it is the responsibility of the retailers to warn the customer in advance about the probable hazards of using a product. The retailer should do so by foreseeing the various ways in which the products might be misused. For example, a drug store is expected to caution the customer about the danger of an overdose while selling sleeping pills.

### ***Warranties***

The retailer also has the responsibility of ensuring the performance and safety of the product as promised in the warranties given by the manufacturers. The laws in some countries give the customer the right to sue both the manufacturer and retailer in the same legal suit about the products, the warranties of which have failed.

In practice, the retailer holds two kinds of warranties - Expressed Warranty and Implied Warranty. An expressed warranty is an expression about some or all aspects of a product, like product quality, its physical nature, workability, and durability. Expressed warranties are guaranteed by the retailer or his salespersons, either in writing or orally, and not necessarily using terms like 'warranty' or 'guarantee'. For example, a salesman often assures the customers with related examples that branded manufacturer would function flawlessly for three years (say for example, a grinder machine) though the company does not hold such warranty. So, the three years of functioning guarantee is an expressed warranty of the retailer.

Implied warranty is the implied expectation of the buyer regarding the product itself or the product's usability for a purpose. Implied warranties are of two types - implied warranty of merchantability and implied warranty of fitness.

Implied warranty of merchantability is the implicit understanding that the product the retailer is selling satisfies the apparent purpose for which the product is manufactured. Such implied warranty holds true for all kinds of products that a

retailer sells unless particularly disclaimed by the retailer that the obvious purpose that a product is supposed to satisfy would not or may not be satisfied. For example, if a retailer, in a sale of old products, sells a room freshener to a customer and after going home, the buyer finds that the sprayer of the bottle is not functioning, the retailer may be held liable.

When an ignorant customer buys a product from the retailer, making it evident that he/she is relying completely on the understanding and judgment of the retailer regarding the nature, quality and usability of the product, and the retailer makes a sale to such buyer, there is an implied warranty from the retailer about the product satisfying the purpose of the buy. For example, a customer enters an electrical shop and asks for a stabilizer for his refrigerator, and if the retailer gives the customer a stabilizer which cannot support a refrigerator, then the customer can hold the retailer liable for violating the implied warranty of fitness for a purpose.

### **Selling**

The ethical questions in selling merchandise to customers are related to products that are being showcased and sold in the retail stores as well as the selling practices adopted by the salespersons in the store. With the introduction of GST (Goods and Services Tax) from July 1, 2017, every invoice of the wholesaler or the retailer ‘pertaining to taxable supply has to be uploaded on Goods and Services Tax Network’s (GSTN) common portal’ such that tax evasion for transactions done in black (for invoice not issued to the buyer) can be checked.

### ***Products***

In some cases, the very nature of the product being sold would pose an ethical question to the retailer. Provision of TIN (Tax Identification Number) by the retailer in the invoice bill gives the legal touch to it. Some of the questions are: whether to sell wine in a retail shop that is close to a place of worship, whether or not to sell cigarettes in a retail shop near a school, and so on. Although selling these products is legal, it is for the retailer to decide whether to sell these products near the specified locations.

### ***Selling Practices***

In the world of retailing, many ethical issues are related to the selling practices adopted by the store, or the store personnel. Generally, stores pay their personnel a commission in proportion to the merchandise that they sell. This practice motivates the sales personnel to push the ‘wrong’ products to the customer, even if they do not meet the customer’s needs. In doing so, even though the salespersons may not be giving any ‘false’ information to customers, they are ‘concealing’ some information. Consumers can approach either the concerned regulatory body or the Consumer Court if they feel cheated. The amendment to banking ombudsman in June 2017 by Reserve Bank of India is an example of

## **Block 6: Contemporary Issues in Retailing**

regulatory body coming to the rescue of consumers. Under this amended version, many goods and services sold by banks and were hitherto outside any regulatory authority, has been brought within banking ombudsman's ambit.

### **Consumerism**

The effort made by the government and business organizations to protect the basic rights of the consumer is referred to as 'consumerism'. In doing so, they take the help of the existing laws to give shape to their aspirations for a consumer-oriented business atmosphere.

The highly-informed consumers of this century patronize those firms that give utmost importance to them and their interests. The buyer seeks products that are unique and which match his style and attitude. Many retailers do meet the demands of the consumers with novel and innovative practices and a consumer-oriented attitude. Retail firms are competing with one another to provide the best bargain to consumers.

Retail consumers no more yearn for just a better bargain in terms of price-quality mapping. They look for a lot more - convenience in shopping, customer service and the environmental concern of the retail firms, to name just a few. Hence, it is no more an easy affair to attract consumers only by offering better price deals or superior quality. Retailers cannot afford to be complacent anymore. They need to constantly change themselves according to the changing customer preferences if they want to maintain a lead position in the retail market.

### **22.7.4 Employee Relations**

The way retail employers treat their employees is governed by certain laws, which are common to all kinds of establishments in the country. The Minimum Wages Act, 1948, addresses the primary concern of workers by setting minimum wages for employees - those working on a temporary basis, piece-rate workers, and workers who are paid daily wages. In addition, no employee can be asked to work more than nine hours a day without additional wages being paid, and the normal hours of work must be fixed.

Untouchability, a legal and moral offense which is still committed in many places of some states in India, is a problem that affects the unorganized retailers. The Protection of Civil Rights Act, 1955, prescribes "punishment for the preaching and practice of 'untouchability' for the enforcement of any disability arising there from and for matters connected therewith."

The standards for health and safety of workers in various establishments are set by 1987 amendment of the Factories Act. Provisions for occupational health and safety are covered under Articles 24, 39 and 42 of the Constitution. These clearly lay down the rules for hazard-free work environment and protection from exploitation, and moral and material abandonment.

Further, the Child Labor Prohibition and Regulation Act, 1986 prohibits employers from employing children below 14 years of age.

The Disabilities Act, 1995, aims at reducing discrimination against people with physical and mental disabilities while recruiting, so that they can also be provided with equal employment opportunities.

**Example: Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022**

Central Consumer Protection Authority (CCPA) was established under the Consumer Protection Act 2019 to regulate matters about false or misleading advertisements that are detrimental to the public and consumer interests.

In 2022, The CCPA issued 24 notifications for unfair trade practices against e-commerce businesses and two Safety Notices to warn and caution consumers against purchasing non-Bureau of Indian Standards-compliant household appliances like pressure cookers and helmets.

The CCPA released its Guidelines for Preventing Misleading Advertisements and Endorsements for Misleading Advertisements on June 9, 2022. This set of guidelines lays forth (a) what constitutes an honest and truthful commercial, (b) limits on bait ads and free claim ads, and (c) outlaws surrogate ads altogether. Before, the consumer affairs ministry decision and other stakeholders, such as the Advertising Standards Council of India (ASCI), held a conference on e-commerce companies to discuss how consumers find it difficult to distinguish between paid, unverified ratings and genuine reviews.

Source: <https://economictimes.indiatimes.com/industry/services/retail/govt-panel-to-develop-framework-on-checking-fake-deceptive-reviews-in-e-commerce/articleshow/93320878.cms>

August 3, 2022 / Accessed on 30<sup>th</sup> September, 2022

**Activity 22.2**

Narrate couple of lines on the following points based on your observations when you had visited a big mall:

A) Discounts and Offers B) Product bundles C) Promotional Strategies  
D) Freebies E) Seasonal price slashes.

As a consumer, do you think these strategies are acceptable or misleading? Support your answers with suitable examples.


**Check Your Progress – 2**

6. Retailers punish vendors by deducting amounts from the invoices of the vendors for breaching any of the agreed upon conditions. Which of the following is the monetary penalty by retailers highlighted above?
  - a. Slotting price
  - b. Back-charge
  - c. Charge-backs
  - d. Penalty
  - e. Breach-charge
7. Which of the following is a law enacted by Parliament to protect the consumers' rights?
  - a. Consumer Protection Act, 1986
  - b. Consumer Protection Act, 1987
  - c. Consumer Protection Act, 1988
  - d. Consumer Protection Act, 1989
  - e. Consumer Protection Act, 1968
8. There are certain basic consumer rights envisaged in Consumer Protection Act. Which of the following is not a fundamental consumer right of a consumer?
  - a. The right to satisfaction of basic needs
  - b. The right to safety and the right to be informed
  - c. The right to choose and the right to be heard
  - d. The right to taste and trial
  - e. The right to redress and the right to consumer education
9. Which of the following is a type of advertisement, which is found to be making false claims about the look or the taste or the ingredients, or the uses and benefits of buying it?
  - a. Detective advertising
  - b. Disguised advertising
  - c. False advertising
  - d. Deceptive advertising
  - e. Propaganda

10. Which of the following is a pricing policy where two or more retail competitors agree to sell their products for the same price or according to some set formula?
- Parallel pricing policy
  - Vertical pricing policy
  - Horizontal price-fixing
  - Universal pricing policy
  - Flat pricing policy
- 

## 22.8 Summary

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- Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess.
- Retailers are trying to ensure that their employees behave ethically. Though there are many laws that influence the business environment of the retailer, there are many more aspects that come under the purview of ethics. These aspects concern the merchandise buying and selling practices in the firm.
- Retailers also need to be socially responsible and environmentally concerned. They often undertake activities that are beneficial to the society.
- Retailers are also taking measures for waste reduction, trying to recycle the materials used and are switching over to environment-friendly packaging materials.
- Legislation governs the retail firm's operations and relations with its channel partners. Its relations with suppliers, competitors, consumers, and employees are governed by appropriate laws.
- Legal restrictions are imposed on practices concerning pricing, product, promotion, distribution, trademarks, and HR policies.

## 22.9 Glossary

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**Anti-Competitive Pricing:** This type of pricing occurs when a vendor sells the same merchandise at different prices to two or more retailers.

**Charge-backs:** Charge-backs are the amounts deducted from the invoices of the vendors for breaching any of the agreed upon conditions.

**Consumerism:** The effort made by the government and business organizations to protect the basic rights of the consumers is referred to as consumerism.

**Deceptive Pricing:** Advertising incorrect prices to attract customers into the store, and later adding on some hidden charges to the price advertised for the product is called deceptive pricing.



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**Deontologists:** They are those people for whom the result is not of as much value as the means.

**Expressed Warranty:** An expressed warranty is an expression about some or all aspects of a product.

**Implied Warranty:** Implied warranty is the implied expectation of the buyer regarding the product itself or the product's usability for a purpose.

**Predatory Pricing:** It occurs when a dominant firm sells products below cost for a long period to drive away competitors from the market.

**Relativists:** For relativists, the practice that is being followed by most people is the standard ethical behavior. What most stores (other than theirs) do is an acceptable practice for them.

**Slotting Fees:** It is the money paid by a vendor to a retailer for stocking a new product on retailer's shelves and in its inventory, and for adding its UPC (Universal Product Code) number in the retailer's computer system.

**Teleologists:** They are those individuals for whom any action is ethical so long as it produces the desired results.

**Tying Agreements:** Tying agreements are those whereby the manufacturer or franchisor demands that the retailer stock a new brand or non-selling product as a condition to supply the retailer/franchisee with well-established, 'much-in-demand' product(s).

**Vertical Price Fixing:** Sometimes referred to as "resale price maintenance", it occurs when a business at one level of distribution (e.g. a manufacturer) dictates the price or terms under which a business at a different level of distribution (e.g. an independent distributor) may resell the goods or services.

### 22.10 Self-Assessment Test

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1. Explain the ethical decision making process.
2. What do you mean by social responsibility of a firm? Explain the various social activities undertaken by retailers.
3. Discuss environmental orientation. Explain the different activities undertaken by firms as part of environmental orientation.
4. Explain the process of retail recycling.
5. Enumerate the key provisions of Consumer Protection Act, 1986.

### 22.11 Suggested Readings/Reference Material

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.

3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### **22.12 Answers to Check Your Progress Questions**

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**1. (e) Individual choices**

Factors influencing ethical decision making process in an organization are:

Top management attitude, Ethical training, Situational pressure, Legal rules, Corporate culture, Firm structure, Perception of the issue, Influence of opinion leader, Media publicity, and Past behavioral consequences.

**2. (e) Acceptance of decision by competitors**

A test for ethical concerns while taking a decision could be to think of the decision in terms of acceptance by others in the company, in the industry and by the government, customers and the general public. Out of these acceptances of decision by competitors (option e) is seldom considered from an ethicality perspective.

**3. (b) Relativist**

A relativist, believes that the practice that is being followed by the majority of people is the standard ethical behavior.

**4. (e) Teleologists**

Teleologists are those individuals, for whom any action is ethical so long as it produces the desired results.

**5. (e) Cost-free, legally mandated, group imposed activities, interest-groups' coerced and free-will activities**

All the mentioned types of programs are initiated as part of corporate social responsibility.

**6. (c) Charge-backs**

Retailers punish vendors by deducting amounts from the invoices of the vendors for breaching any of the agreed upon conditions. This monetary penalty by retailers is known as Charge-backs.

**7. (a) Consumer Protection Act, 1986**

A law was enacted by parliament to protect the consumers' rights. This consumer law is known as Consumer Protection Act, 1986.

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### **8. (d) The right to taste and trial**

There are certain basic consumer rights envisaged in consumer protection act. These rights are:

- a. The right to satisfaction of basic needs.
- b. The right to safety & The right to be informed.
- c. The right to choose & The right to be heard.
- d. The right to redress & The right to consumer education.

### **9. (d) Deceptive advertising**

A type of advertisement, found to be making false claims about the look, taste, ingredients, or the uses and benefits of buying it. These advertisements are referred to as 'Deceptive advertising'.

### **10. (c) Horizontal price-fixing**

Horizontal price-fixing occurs when two or more retail competitors agree to sell their products for the same price, or according to some set formula.

## Unit 23

# Careers in Retailing

### Structure

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- 23.1 Introduction
- 23.2 Objectives
- 23.3 Getting into the Retail Industry
- 23.4 Personality Traits of Retailers
- 23.5 Human Resource and Skills Requirements of Indian Retail Industry
- 23.6 Employment Aspects of a Retailing Career
- 23.7 Employment Opportunities
- 23.8 Careers in Retailing
- 23.9 Ownership Opportunities
- 23.10 Summary
- 23.11 Glossary
- 23.12 Self-Assessment Test
- 23.13 Suggested Readings/Reference Material
- 23.14 Answers to Check Your Progress Questions

*“Be brave. Take risks. Nothing can substitute experience.”*

- Paulo Coelho, Author

### 23.1 Introduction

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Those who choose a career route in the face of difficulty and uncertainty get the rewards of their efforts because they gain valuable experience.

Making a career in the retail sector is one amongst the most challenging of all industry sectors. Nevertheless, it also offers one of the fastest career opportunities in the industry. The Retail Market of India is considered to be one of the most attractive and emerging markets in the world. The Indian retail sector is growing at an amazing pace which is further expected to grow to US\$1.8 trillion by 2030. India ranks fifth in the list of most preferred retail destinations across the globe. The country is also an ideal place in terms of per capita retail store availability. Tier II and Tier III cities in the country are also experiencing exponential growth in the retail sector. The fast-changing demographic profile of the nation and increasing disposable income are the major contributing factors for this dynamic transformation.

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The stability, growth prospects, compensation and good working conditions offered by the retail industry have attracted many people to careers in retailing.

This unit explores the various career options available in the retail industry and the skills required to pursue these careers.

### 23.2 Objectives

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After reading through the unit, you should be able to:

- Enrich himself on the methods of entering the retail sector before starting a career in this sector
- Examine the various personality traits of a retailer and relate them to one's inherent qualities while choosing a retail career
- Analyze the different sets of skill requirements associated with the respective nature of retail job that helps in locating the right career opening
- Evaluate the different aspects of employment career in retailing to maximize job satisfaction
- Conduct a personal assessment of career goals to be successful in this industry
- Assess Ownership Opportunities before choosing a career as an entrepreneur in this field.

### 23.3 Getting into the Retail Industry

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The retail sector is highly competitive. Incidentally, it has very little barriers to entry too. There are two ways in which one can become a part of the retail industry. One: by starting one's own retail business; or another: by working for a retail organization. Retailing jobs are more exciting than other jobs. But they can be frustrating too. To do well in the retail arena, one must have some special characteristics.

**Example: Every 3 Out of 4 New Jobs are from Retail Alone - Career Opportunities in a Retail Organization**

Reliance Industries Limited (RIL), an oil-to-chemical conglomerate owned by Mukesh Ambani, hired more than 2.1 lakh new employees in the fiscal year 2022. In addition, the retail division of RIL, Reliance Retail, has engaged as many as 1.5 lakh people. According to the firm, there are currently over 361,000 people employed by Reliance Retail, making it one of the largest employers in India. According to RIL chairman Mukesh Ambani, Reliance has also generated considerable job opportunities.

*Contd....*

This is because it remains amongst India's largest private sector employers. Over the previous year, Reliance added over 2.1 lakh new people, across their companies, with their consumer and technology division producing a substantial share of these new positions. As a result of the first Covid-free holiday season in last two years, an estimated 5-6 lakhs of seasonal employment would be created in the country between August and December 2022, an increase of around 20% year-over-year.

The industries are actively recruiting in retail functions like FMCG, Lifestyle products, e-commerce, BFSI, logistics, and warehousing. In addition, demand has risen dramatically in a few emerging markets, including those for beauty goods and health and wellness items.

*Source: <https://www.businessinsider.in/careers/news/reliance-adds-over-2-lakh-new-jobs-in-india-in-fy22-every3-out-of-4-new-jobs-are-from-retail-alone/articleshow/91381601.cms>  
06/05/2022 / Accessed on 30/09/2022*

#### **Example: Entrepreneurial career into Retail industry**

Wow! Momo is an Indian retail chain of quick-service restaurants headquartered in Kolkata. In 2008, two St. Xavier's College students started from a garage in Kolkata selling steamed momos from their six-by-six kiosk with an initial capital of ₹ 30,000. It all began in a 200-square-foot area, with basic materials purchased on credit from a nearby supermarket. At the outset, there was just one little table in the kitchen, and two part-time cooks were paid very little.

Over a decade later, Wow! Momos employs 700 staff who work in food production and 900 employees who run storefronts. They now have 254+ stores in 13 cities with a net worth of ₹ 1255 crores. They operate in four different outlet formats: food courts, high-street restaurants, kiosks, and high-street shops. In 2022, as part of its Series D fundraising round, Wow! Momo secured over ₹ 125 crores from OAKS Asset Management at a valuation of ₹ 2,125 crore.

*Source: <https://startuptalky.com/wow-momo-business-model/> 04/08/2022 / Accessed on 30/09/2022*

### **23.4 Personality Traits of Retailers**

To succeed in a retailing job, one should have certain types of personality. Some of the personality types that will succeed in the retail arena are:

- The People Pleaser
- The Risk Taker
- The Problem Solver
- The Decision Maker
- The Retail Entrepreneur

## **Block 6: Contemporary Issues in Retailing**

### **23.4.1 The People Pleaser**

The retailing business calls for building relationships with people. Retailers must therefore have the ability to interact with different types of customers and understand their needs and wants. Only retailers who like people and make a genuine effort to understand them in order to cater to their needs and demands can be successful. People pleasers have a knack for reading their customers' mind and anticipating their likes and dislikes. They communicate well with customers. They appreciate their customers, empathize with them, identify their motives, and develop a great rapport with them.

### **23.4.2 The Risk Taker**

A certain amount of risk is involved in every business, including retailing. The risks in retailing include, supply risks, retail price risks, operational risks, technological risks, and business cycle risks. A retailer takes risks when he decides on several issues like:

- The markets to be served
- The width and depth of the product line
- The services to be provided

An element of risk is present in every decision a retailer makes. The risk taker will be the type of retailer who willingly takes risks and has the ability to differentiate productive merchandising risks from unproductive merchandising risks.

### **23.4.3 The Problem Solver**

A retailer who not only understands the inherent problems of retailing but also derives pride/pleasure from solving them is called a problem solver. Retailing involves providing appropriate goods/services that can satisfy customer needs or solve a particular problem. Retailers not only have to deal with problems regarding the procurement and display of merchandise, they also must handle the problem created by dissatisfied and vocal customers. These problems, whether of a routine or unusual nature, must be solved as soon as they arise.

### **23.4.4 The Decision Maker**

A retailer must make numerous decisions during his operations. Decision-making becomes difficult when the retailer has too many options to choose from. Sometimes the retailer should take decisions under pressure and with limited knowledge of the market-place. The retailer who likes to take decisions under pressure in a rapidly changing market-place is likely to succeed in the retail industry.

### 23.4.5 Retail Entrepreneur

A retail entrepreneur is a person who can organize, manage and take on the responsibility of running a retail business. Entrepreneurial skills are found in varying degrees in different people. A retail entrepreneur should have certain attributes to create a healthy organizational culture and to conduct the business successfully. Some of these attributes are discussed below:

- i. The entrepreneur should be able to take calculated risks that will help in organizational growth.
- ii. The entrepreneur should identify opportunities for growth and focus on satisfying customer needs.
- iii. The entrepreneur should try to improve all aspects of the retailing business constantly. This will enhance profitability and customer satisfaction.
- iv. The entrepreneur should try to develop good rapport with employees at all levels by meeting them personally and encouraging an open-door policy.
- v. The entrepreneur should try to inculcate a spirit of passion among employees by making them understand the corporate vision. This will give a strategic direction to their work and help them provide better service to their customers.
- vi. The entrepreneur should encourage change and identify areas for improving service.

With the above background, let us now see the skill requirements for an individual to excel in the retail sector with special reference to the Indian scenario.

#### **Example: Psychometric and Psychological preferences**

Candidates for employment are given personality tests to get insight into their areas of strength and growth, as well as to determine whether or not they would be suitable for the job and firm.

In India, 81% of companies perform personality tests on applicants for entry-level positions, 74% on candidates for junior management positions, and 65% on candidates for middle management positions. However, only 56% of businesses in India employ some form of psychometric testing overall (Source: Willis Towers Watson Study, "The State of Psychometric Assessments in India," 2016 report). Organizations commonly use personality test frameworks like Myers-Briggs Type Indicator (MBTI Test), DiSC Personality Test, Clifton Strengths Finder, Big Five Personality Test, and Custom Personality Tests. Along with Myers-Briggs Type Indicator (MBTI Test), the Big Five or OCEAN personality test has become the most popular and widespread personality test framework.

*Contd....*



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It categorizes people based on various factors, like Openness (creativity and intrigue), Extraversion (sociability), Agreeableness (thoughtfulness), Conscientiousness(kindness), and Neuroticism (emotions and moodiness). The Big Five model is used to predict a person's general personality type and level of achievement in life, regardless of the job they choose. In addition, the test assesses how well the five personality (OCEAN) qualities interact with one another to determine the most suitable jobs.

In India, startup-like CareerNaksha provides psychometrics-based, data-driven career guidance to students, potential employees, employers, and staffing experts in order for them to identify suitability and hire the right personnel. In addition, it provides evaluations in various local languages. The Occupational Information Network (O\*NET), a free database containing hundreds of job descriptions, forms the basis for their psychometry assessment. In the past four years, CareerNaksha has assisted more than five lakh students in making better decisions regarding their future careers.

Sources: i) <https://seniorexecutive.com/the-top-5-personality-tests-in-business-which-one-should-your-company-use/> 04/11/2021 / Accessed on 03/10/2022

ii) <https://yourstory.com/2022/09/careernaksha-wants-to-make-career-counselling-tier3-edtech/amp> September 23, 2022 / Accessed on October 22, 2022

### 23.5 Human Resource and Skills Requirements in Indian Retail Industry

In India, the retail sector is considered as the ‘sunrise sector for employment opportunities. Businesses, in this sector function in both organized and unorganized forms. The organized sector requires lot of skills though.

**Store Manager:** A Store Manager is in-charge of the entire store and hence the day-to-day activities of a store. The skills required by a Store Manager are:

Functional Skills	Soft Skills
Proficiency in Spreadsheet and Word Processor.	Strong written & verbal communication skills
Understanding of customer behavior	Good inter-personal skills
Detailed product knowledge	
Understanding of retail logistics	
Developing & maintaining vendor relationships	

**Customer Service Representative/Sales Associate:** Sales Associates are the ones who interact with customers either through face-to-face interaction or through other means like phones. They provide information about the products

and services given by the store, process orders and handle customer complaints. They should possess the following set of skills:

Functional Skills	Soft Skills
Knowledge of sales promotion schemes offered by their company	Strong written & verbal communication skills  Good inter-personal skills
Selling skills	
Ability to ensure theft prevention	
Extensive knowledge offered by their company	

**Merchandise Manager:** Better known as ‘Purchasing Manager’, this professional is responsible for selecting the goods that will be sold in the store. Some of the important skill requirements of a Merchandise Manager are:

Functional Skills	Soft Skills
Conceptualization, execution of window displays and in-store displays of products, and positioning of the signage inside the retail store.	Strong written & verbal communication skills.  Good inter-personal skills.
Ability to create a pleasant shopping atmospherics and store layout.	
Understanding of visual merchandising.	
Knowledge of the current trends related to merchandise.	
Knowledge of customer behavior and products.	

**Marketing Manager:** He is the one responsible for creating marketing strategy and the operating plan for marketing the products in the store.

Functional Skills	Soft Skills
Ensure adequate product availability at the retail stores.	Strong written & verbal communication skills.  Good interpersonal skills.
Ability to manage warehouse operations.	
Knowledge of data analysis and requisite skills pertaining to spreadsheet and formulate customer loyalty schemes.	
Understanding of customer profiles to develop in-store marketing campaigns.	
Understanding of customer behavior.	

Having gained knowledge and the basic information on the skills required by an individual to have a career in this industry, let us now go into the employment aspects surrounding this sector.

**Example: India Skill Assessment 2022**

Wheebox has partnered with Taggd, AICTE, MSDE, CII, AIU, UNDP, Sunstone Eduversity, and ASAP Kerala to create the India Skill Assessment 2022, a comprehensive report on the state of education and employment in India. Essential abilities were evaluated, including Business Communication, Critical Thinking, and Numerical Reasoning. Employment opportunities for young people are studied in depth in ISR 2022, with attention paid to issues such as area of study, demography, gender involvement, employment choices, income expectations, and availability of resources.

1. The WNET, an exam for future professionals, has shown that young Indians are becoming increasingly employable. The test takers indicated that 46.2% of the youth were very employable. It is a big jump from last year's dismal employment rate of 45.97%.
2. Females made up 51.44 percent of the highly employable young population, while males made up 45.97 percent.
3. B.Tech and MBA grads were identified as the most employable talent from the various areas among the polled students and prospective professionals. There is a large pool of qualified young people in Maharashtra, Uttar Pradesh, Kerala, and West Bengal.
4. The industry of Internet Businesses saw the highest percentage of women working in it, at 54.5%. Due to the larger pool of potential younger female workers, the current imbalance in the workforce's gender composition is likely to be corrected.
5. The retail business, which employs 95% males, has the most significant proportion of male workers, followed by the manufacturing sector (88% men) and the automotive industry (80% men).
6. 75% of companies surveyed report a skill gap in the industry, while 100% of Retail sector employers agree that a skill gap will be filled in the coming year.
7. Job-specific skills such as data analysis, growth hacking, data visualization, vocational training, market research, product design, and creative ideation are in demand.
8. When asked what qualities in a candidate the company valued most, most businesses cited a strong work ethic and a positive outlook on the job. Candidates with strong communication skills who possess relevant domain knowledge and professional experience are essential additions to any company.

Sources: i) [https://wheebox.com/assets/pdf/ISR\\_Report\\_2022.pdf](https://wheebox.com/assets/pdf/ISR_Report_2022.pdf) 2022/Accessed on 03/10/2022

ii) <https://www.peoplesmatters.in/news/skills-assessments/employability-of-indian-youth-stands-at-459-report-28503> 10/12/2022/Accessed on 03/10/2022

## **23.6 Employment Aspects of a Retailing Career**

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For maximizing job satisfaction, one needs to realize the importance of good working condition. In this section, we will discuss five key aspects of employment that one should consider before taking up a job at a retail outlet. These five key aspects are:

- Employment Security
- Employee Compensation
- Working Conditions
- Career Advancement
- Job Satisfaction

### **23.6.1 Employment Security**

The retail sector offers a high degree of employment security even during times of recession. There are many reasons for this. Firstly, consumers will continue to purchase even during a recession. This means that the retailing industry will not perish until people stop buying. Secondly, there is greater job mobility in the retailing business, which translates into greater job security. Finally, retailing skills are easily transferable. This means that retail employees can move from one department to another without major hiccups at times of restructuring. This can reduce the number of layoffs during restructuring, thereby leading to higher job security.

### **23.6.2 Employee Compensation**

Salaries in the retail sector vary considerably, depending on the position of the incumbent in the organizational hierarchy. Top managers are paid competitive salaries while lower level retailing personnel are paid according to the minimum wages prevalent in the country. Though the initial salaries for people may not be very high, salaries increase as one goes up the corporate ladder.

### **23.6.3 Working Conditions**

Working conditions in the retail industry have their upside and downside. On the positive side, a retail environment offers a great degree of job variety. People who do not like monotonous jobs should work in a retail store to experience the excitement of doing a variety of tasks. Retailing tasks offer variety because of

- Changing economic conditions, changes in merchandising seasons and the ever-increasing influx of old and new customers
- Opportunity to train in several areas like merchandising, operations management, sales promotion, personnel management and logistics.

Retailers try to create a dynamic, glamorous and stimulating environment in which customers feel comfortable. This approach makes retailing tasks exciting and creates a lively and challenging work environment.

## **Block 6: Contemporary Issues in Retailing**

On the negative side, most retail jobs call for long and arduous hours of work. Sometimes employees are expected to work even on holidays and weekends. Apart from this, the close supervision and control found in retail stores can affect employee morale. Hence, working in a retail environment can often be very taxing.

### **23.6.4 Career Advancement**

Retailing careers offer ample scope for advancement, mainly due to the presence of many levels in the organizational hierarchy, the diversity of retailing positions, and the vast number of retail outlets. Retailing is a great career for people who are ambitious, talented, and hardworking. They can expect to go up the corporate ladder within a short period. The number of managerial jobs available offers many opportunities for advancement. For example, a chain of department stores may have assistant department managers, department managers, promotions managers, assistant store managers, and store managers at the district, regional and national levels. So many jobs at the managerial levels mean greater scope for career advancement.

Retailing can be a great career for women since most retailers believe that women executives have greater understanding of the shopping needs of women shoppers. These retailers feel that women executives can boost sales tremendously. The advantage of flexible working hours, allowing women to work around their family commitments, is one of the reasons for women taking up their career in retail.

Visual Merchandising is one such option in retail career for both genders alike. Visual Merchandising is defined as the use and manipulation of attractive sales displays and retail floor plans to engage customers and boost sales activity. In visual merchandising, the products being sold are typically displayed in such a way as to attract consumers from the intended market by drawing attention to the product's best features and benefits. In other words, 'Visual merchandise requires a combination of skills including creativity, artistic knowledge and understanding of store design. Color is a big attraction point in converting potential shoppers into customers.

### **23.6.5 Job Satisfaction**

As discussed earlier, there are many benefits of working in a retail environment: varied job tasks, rapid advancement, decent compensation, opportunity to interact with people, quick recognition of one's efforts, greater flexibility, freedom to take decisions etc. are just to name a few. Apart from these, daily performance feedback, the opportunity to demonstrate one's talents and recognition for one's efforts translate into greater job satisfaction for employees working in the retail industry.

**Example: Barbeque Nation - India's Best Company to Work for in 2022**

Barbeque Nation is one of the top 10 retail companies in India, according to the Great Place to Work Institute® and the Retailers Association of India. Barbeque Nation is ranked 7<sup>th</sup> among India's Best Companies to Work For in 2022. Barbeque Nation considers its workers to be its most valuable asset; the company has put in place a number of policies and programs designed to give new hires and long-term workers a consistent and positive impression of its brand and culture from the time they apply for a job until they leave.

The 'My First Seven Days Program' named 'Swaarambh' and the yearly employee engagement activity called 'UMANG' are two of the best efforts that have helped grow Barbeque Nation as a brand among its employees. The 'Swaarambh' program has been designed to give all new hires a stimulating and educational introduction to the company, while the 'UMANG' festival is a celebration of national activity. Moreover, employees can share their thoughts through a program called "VOE," which stands for "Voice Of the Employee," and through "Prayaas," a suggestion system that allows them to offer concrete ideas for enhancing the customer service they provide.

The CEO began Back to Basics for corporate and regional support function personnel. Every support function employee must work at the outlet as a steward, cook, concierge, or other capacities for two months. After visiting the store, they give the CEO a report. This program exposed staff to process and HR (Human Resources) concerns. This effort helped generate unique solutions that increased frontline employee and process productivity.

Sources: i) <https://www.greatplacetowork.in/great/profile/india-best/Barbeque-Nation-Hospitality-Ltd>

ii) <https://www.greatplacetowork.in/great/company/barbeque-nation-hospitality-limited>  
2022, Accessed on 02/10/2022

**Activity 23.1**

Select two advertisements of leading retail groups given to fill store level jobs soliciting young graduates to apply for the job. Compare the two advertisements in terms of effectiveness, likelihood of capturing the potential candidates and assurance of all the career prospects the potential candidates would look for. Also, give suggestions as to how the advertisements could be improved to make them more attractive for young graduates.


## **23.7 Employment Opportunities**

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The employment decision is one of the most important decisions a person makes. This decision can have a profound impact on the professional and personal life of an individual. While taking the decision, an individual may be confronted with a number of employment choices, of which retailing could be one. Hence, it is important that he/she conduct a personal assessment of life and career goals before taking such an important decision.

### **23.7.1 Making a Personal Assessment**

A personal assessment can be conducted in two stages. The first stage involves conducting a life audit and the second stage is concerned with conducting a career audit.

#### **Life Audit**

The main aim of conducting a life audit is to help one understand one's own feelings, aspirations, and abilities. It is very rare to see individuals who are very clear about what they want to do. Most of us are confused and do not have direction in our life. A life audit is a type of self-analysis that helps us understand ourselves better. It involves answering a set of questions pertaining to family issues, personal beliefs, values, goals, and objectives to gain insights into personal interests, abilities, and aspirations.

#### **Career Audit**

The next stage in personal assessment is to conduct a career audit. A career audit is performed to develop a career plan. A career plan is a written statement that indicates the necessary strategies and tactics an individual needs to adopt for career growth. A career audit requires the use of a questionnaire. Answering the questionnaire will help an individual discover oneself and one's career aspirations. Once life and career audits are completed, one should make a note of the career goals and objectives derived through these audits.

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### **Check Your Progress - 1**

1. To succeed in a retailing job, one should have certain types of personality. Which of the following is not a type of personality desired to succeed in retail industry?
  - a. The People Pleaser & The Risk Taker
  - b. The Problem Solver
  - c. The Retail Entrepreneur
  - d. Aggressive and Dominating
  - e. The Decision Maker

2. The retailing business calls for building relationships with people. Retailers with a knack of reading their customers' mind and anticipating their likes and dislikes are referred to as which of the following?
    - a. People Pleaser
    - b. Risk Taker
    - c. Problem Solver
    - d. Retail Entrepreneur
    - e. Decision Maker
  3. There are various aspects of employment that one should consider before taking up a job at a retail outlet. Which of the following aspects is generally not considered?
    - a. Employment security
    - b. Working conditions & career advancement
    - c. Job satisfaction
    - d. Employment compensation
    - e. Level of absenteeism
  4. Which of the following statement regarding retail industry is NOT true?
    - a. The retail sector offers a high degree of employment security
    - b. There is greater job mobility in the retailing business
    - c. Retailing skills are easily transferable
    - d. Retail industries do not require very high level of skills or competency at entry level
    - e. Retail industry does not require selling skills
  5. Which of the following is a type of self-analysis that helps us understand ourselves better by answering a set of questions pertaining to family issues, personal beliefs, values, goals, and objectives to gain insights into personal interests, abilities and aspirations?
    - a. Self-appraisal
    - b. Career audit
    - c. Life audit
    - d. Self-audit
    - e. Personal audit
- 

### **23.7.2 Securing a Retail Position**

After completing the personal assessment, an individual must decide the area in which he would like to work. If the chosen area is retailing, then the next step for him would be to start an employment search process. In the following paragraphs, we will discuss various steps involved in the employment search process.



## **Block 6: Contemporary Issues in Retailing**

The employment search process consists of four basic steps:

- Identification of prospective employer
- Obtaining a personal interview
- Preparing for an interview
- Participating in an interview

### ***Identification of Prospective Employers***

This is a four-step process that helps individuals organize job opportunities.

- i. Listing employment criteria
- ii. Ranking employment criteria
- iii. Scaling employment preferences
- iv. Matching job preferences with prospective employers

### ***Listing Employment Criteria***

In this step, an individual decides on the criteria or preconditions for selecting a particular job. Some of the employment preconditions could be location preferences, organizational preferences, and the type of position one is looking for.

### ***Ranking Employment Criteria***

Once the employment criteria are determined, an individual must try to rank each criterion based on its importance. The criteria that rank high on the list are the ones that an individual should not compromise on.

### ***Scaling Employment Preferences***

This is the third stage of the prospective employer identification process. In this step, the individual identifies and ranks the types of jobs he is looking for.

### ***Matching Job Preferences with Prospective Employers***

Once the listing, ranking and scaling processes are over, the individual must match his job preferences with prospective offers from employers. During the matching process, a list of available jobs is compiled and compared with the list of prospective employers. To compile the job list, an individual can source details of available jobs from various sources like university campuses, employment sections of newspapers, professional journals, magazines, commercial employment agencies etc. Apart from this, one can get job leads by directly applying to firms in the retail business. Some of the best job leads can be received from friends, professors, relatives, and other personal contacts.

## **23.7.3 Obtaining a Personal Interview**

A personal interview is a face-to-face meeting between the retailer and the prospective employee. During the personal interview, applicants are questioned and their behavior is closely watched. For managerial positions, personal

interviews are conducted in several stages by various managers from different departments. Getting the initial interview is not easy. For getting an initial interview, candidates adopt several methods like:

- Scheduling an interview through the university placement office
- Contacting the manager of a retail store and scheduling an interview
- Taking help from personal contacts for fixing interviews
- Writing job application letters and making telephone calls and personal visits to retail stores

Successive interviews usually take place depending on the performance of the candidate in the previous interview.

#### **23.7.4 Preparing for a Personal Interview**

Inadequate preparation for an interview decreases the chances of success. To prepare for a personal interview, an individual should do some research on the firm applied to. He should have sufficient knowledge of the firm's activities and businesses. Interviewers prefer people who have done their homework. Some of the areas in which an individual should collect information include the firm's organizational structure, financial position, market position, and prospects. This information can be collected from the firms' annual report, trade magazines, business digests and reference books. Such preparation will help the individual in asking meaningful questions during the interview. The individual should also prepare a resume that includes:

- Personal details like name, address, phone number, marital status etc.
- Educational details like type of degree, field of specialization, date of graduation, rank in the class, awards, and honors etc.
- Details of work experience, including list of previous employers and duration of employment, job profile, responsibilities etc.
- Details of other activities like hobbies, interests, skills.
- Name, address and telephone numbers of two referees who are able to comment on the professional skills of the individual.

The resume should look professional and be concise and factual.

#### **23.7.5 Taking a Personal Interview**

Interviews can be conducted in a formal or an informal manner, depending on the personal preferences of the interviewer. Formal interviews are highly structured and may take the shape of a question and answer session. Informal interviews do not follow a structure. Irrespective of whether the interview is formal or informal, interviewees must assess the situation and act accordingly. Most interviews consist of four parts. The first part is a rapport building session, during which the interviewer asks some personal questions to gather information on the interviewee's background. The second part is a question and answer session,

## Block 6: Contemporary Issues in Retailing

during which the interviewer tries to test the knowledge and depth of understanding of retailing of the interviewee. The third session is the selling session, during which the interviewee tries to sell his ideas and tries to explain how he can bring about a positive change in the organization. The last and final stage is interview closing, during which the interviewer and interviewee end the interview. If the interviewer is impressed, he will end the interview on a positive note.

### Guidelines for Facing an Interview

There are certain guidelines, which, if followed, can make a positive impact on the interviewer. Some of these guidelines are presented below:

- The interviewee's dress can have a strong impact on the interviewer. It is necessary to dress appropriately and neatly to make a positive impact on the interviewer.
- The interviewee should be prepared for open questions like "why do you want to work for our firm?" These types of questions are tricky and one has to be careful when answering them.
- The interviewee should try to remain relaxed and be as open and frank with the interviewer as possible.
- The interviewee should listen carefully to the interviewer and should not try to dominate the interview (at least not in the initial stages).
- The interviewee should be inquisitive and should ask intelligent questions about the firm. This will reflect on the interviewee's interest in joining the firm.
- The interviewee should be informative. He/she should try to answer questions completely and fully. One-word answers like 'Yes' or 'No' should be avoided.
- A little bit of aggression during interviews always helps. Interviewers prefer people who are a little aggressive rather than people who are passive.
- Honesty is the best policy. The interviewee should be truthful and should admit his/her weaknesses, if any.

#### **Example: Employment hiring Trends in India - Monster Employment Index**

With the second-largest consumer base in the world, India's retail industry has emerged as one of the most dynamically-evolving, rapidly-digitizing industries as the country accelerates its transformation into a digitally changed nation. The retail industry in India is set to grow by 20 to 30 percent over the next five years and is likely to generate 2.5 crore new jobs by 2030. According to the Monster Employment Index, the retail industry marked a 47 percent annual growth in job demand in April 2022.

*Contd....*

E-commerce leads the retail job market on the back of an expanding market and growing demand for consumer goods across segments, consequently creating more jobs. Opportunities in E-retail are mainly focused on analytics, automation, and AI/ML to understand consumer behavior and predict user demand.

The survey found that functional hiring trends in Finance and Accounts (+27%) and HR & Admin (+15%) jobs showed significant yearly growth across the occupational groupings, and yearly declines were seen in sales and business development (-10%), marketing and communications (-8%). In addition, an increase of 2% was seen in the demand for fresh graduates with no more than three years of work experience. On the other hand, hiring for intermediate-level positions requiring 4-6 years of experience declined by 2%. The number of positions requiring 7 to 10 years of experience decreased by 1%.

*Source: <https://media.monsterindia.com/logos/mei/moin/Job-and-Hiring-Trends-in-India-August-2022.pdf> PDF May 2022, Accessed on 3/10/2022*

## **23.8 Careers in Retailing**

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From an individual's view point, there are numerous retail career opportunities. Some are Customer Service Assistant, Department Manager, Fashion Retailer, Merchandiser, Night Manager, Part-time retail jobs, Retail Warehouse Manager, Retail Security. In the same way, retailers too, pay equal attention in attracting skills to build customer loyalty. Of late, retailers have realized that to build customer loyalty, they must differentiate themselves from their competitors by providing value added services to customers. These value-added services determine which store the customer would purchase goods from. A retailer can differentiate himself from his competitors by providing excellent customer service. To provide such service, a retailer should have trained and skilled manpower in the field of sales, store management and merchandising. Many institutes provide special education and training facilities to help retailers develop a trained retail sales force. Some major retailers have developed their own in-house training programs to suit their store needs. Some common retailing positions found in a retail store are:

- Sales Executive
- Store Manager
- Sales and Merchandising Representative (SMR)

### **23.8.1 Sales Executive**

A sales executive's main job is to attend to customers and help them during their purchases. Some of the other responsibilities of a sales executive are:

- Explaining to all walk-in customers about the products and providing any additional information that would help customers to make the right product choice.

## **Block 6: Contemporary Issues in Retailing**

- Taking part in the entire selling process from prospecting to closing the sale.
- Achieving the personal sales targets set by the store manager.
- Managing in-store inventory and cash counter (in some cases).
- Conducting product demonstrations when necessary.

### **23.8.2 Store Manager**

The store manager is the overall in-charge of all the activities at a retail store. He has a team of sales executives who help him handle all major retailing activities like merchandising, space management, inventory management, sales management, and customer support. Some of the responsibilities of a store manager are:

- Achieving predetermined monthly and annual sales targets.
- Leading and motivating a team of in-store sales executives.
- Preparing pre-sales reports like potential client lists and sales progress charts.
- Preparing post-sales reports like daily and weekly sales reports.
- Coordinating with logistics to ensure timely deliveries to customers and to maintain optimum inventory levels in the branch.
- Developing human resources at the branch level.
- Preparing business plans for the financial quarter.
- Supervising the overall merchandising of the store and designing the look of the store.
- Designing and carrying out promotional schemes within the store.

***Desired Skill-set required for Sales Executive/Store Manager:*** Some desired skill-set of a Sales Executive/Store Manager are as follows.

- Good communication skills (ability to persuade customer).
- Patience to deal with all kinds of customers.
- Good product knowledge (in terms of features).
- Knowledge of competitor's products.
- Good knowledge of store dynamics in terms of hot selling goods, high traffic spots (in the store) and merchandising requirements.

### **23.8.3 Sales and Merchandising Representative**

This is an emerging career in retailing. Recognizing the role of retail stores in selling and building the image of their products, manufacturers have started employing Sales and Merchandising Representatives (SMR) to communicate information to retailers.

An SMR is responsible for:

- Earning the mind-share and shelf-space of the retailer;
- Educating sales teams in stores about the nature and working of the product;
- Motivating retailer's salespersons to promote the manufacturer's products; and
- Collecting information on new products and buying patterns of retail customers.

***Desired Skill-set for Sales and Merchandising Representative:*** Some befitting skill-set applicable to a Sales and Merchandising Representative are -

- Excellent understanding of the product
- Always be prepared to travel anytime, anywhere to meet the client
- Knowledge of preparing weekly and monthly sales reports
- Proficiency in computer database would be an added advantage in the skill-set

**Example: Reliance's Retail Division Plans to Employ 60,000 Entry- and Mid-Level Workers FY22**

Globally, Reliance Retail is the most rapidly expanding Retailer, according to Deloitte's Global Powers of Retailing 2020 report. It is ranked #56 on the world's top retailers list and is the only Indian Retailer.

In the first three months of 2022, Reliance Retail launched roughly 720 new locations. This brings the grand amount of retail outlets to 15,916. In addition, reliance Retail added over 17,000 positions throughout the FY22 quarter. Reliance's retail division plans to employ 60,000 entry- and mid-level workers over the next three quarters. The outlets themselves will fill many of these positions.

Reliance Industries aims to expand its retail division massively, and as part of that process, the company will hire between 150 and 200 senior executives to fill vice president and higher positions. Potential applicants are being poached from rival companies and international retail giants. Temporary and staffing positions are open at this time. As a result, a sizable number of them were employed in the northern part of the country and several regions of Madhya Pradesh. In contrast, significant recruiting took place in and around the Indian cities of Delhi, Chandigarh, and Rajasthan.

Sources: i) <https://www.livemint.com/companies/news/rils-retail-arm-on-a-hiring-overdrive-11659291903202.html> Article 01/08/2022, Accessed on 03/10/2022

ii) <https://trak.in/tags/business/2022/08/05/this-reliance-company-will-hire-60000-employees-in-next-9-months-check-full-details/> August 5, 2022 / Accessed on October 22, 2022

## Block 6: Contemporary Issues in Retailing

### Activity 23.2

Most retail organizations use role-play as a methodology to evaluate the selling skills of prospective employees. If you are asked to evaluate the performance of two candidates in a role play situation, how would you go about the evaluation process? Make a list of A) skills of the candidates assessed through role-plays B) the respective weightage for each skill considering the job requirements.

### 23.9 Ownership Opportunities

As mentioned earlier, some people enter the retail industry by setting up their own business. People who have high entrepreneurial skills prefer to start something on their own instead of getting employed. They believe that the only way they can surge ahead of others is by making others work for them. These individuals do not believe in a 'paycheck to paycheck' existence. (i.e. with greater financial stress and financial risk without considerable savings). Rather, they like to take the risk of starting their own business. When such individuals have a good and marketable idea, they invest their time and energy in starting their own business.

In retailing, an entrepreneur can choose to set up a new business, buy an existing business, or a franchise. Before starting a retail business, the entrepreneur must evaluate all the available options.

#### **Example: Modern Bazaar – from Small Food Product Outlet to ₹ 200 Crore Supermarket Retail Chain**

In 1971, Late Shri Vishwant Kumar established Modern Bazaar in New Delhi as India's First Supermarket. At the time, it specialized in the sale of food goods that were imported from other countries. Kunaal Kumar joined the family company in 1991. Modern Bazaar struggled in 2004. Basant Lok branch fire reduced the outlet to cinders. Kunaal Kumar took charge of the family business and restored Modern Bazaar. For 57 years, Modern Bazaar has established a reputation in Delhi, the National Capital Region, and Chandigarh as the "One Stop Shop" for purchasing all needed and specialty groceries and food goods. Mr. Kunaal Kumar, the company's current Director, is responsible for taking Modern Bazaar to new heights.

*Comtd....*

Currently, they keep stock of around 15,000 SKUs, and healthcare products, bakery items, and fresh meat items are fast moving items among all product categories. Under his leadership, the company has grown from having a single outlet to having 16 vast stores across Delhi, Gurgaon, Noida, and Chandigarh with ₹ 200 crore plus turnover.

Sources: i) [https://www.modernbazaar.online/cms/about\\_us](https://www.modernbazaar.online/cms/about_us) Updated copyright@ 2022  
ii) [https://www.indiaretailing.com/2021/01/11/food/food-grocery/ease-of-access-to-customers-across-multiple-channels-is-our-usp-says-modern-bazaars-kunaal-kumar/Article 11/1/2021](https://www.indiaretailing.com/2021/01/11/food/food-grocery/ease-of-access-to-customers-across-multiple-channels-is-our-usp-says-modern-bazaars-kunaal-kumar/Article%2011/1/2021), Accessed on 04/10/2022

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### **Check Your Progress - 2**

6. A retailer can differentiate himself from his competitors by employing trained and skilled manpower in the field of sales, store management and merchandising. Which of these is not a retailing position found in a retail store?
  - a. Sales Executive
  - b. Store Manager
  - c. Sales and Merchandising Representative (SMR)
  - d. Brand Manager
  - e. Cashier
7. Store managers are the responsible officials in a retail organization. They are responsible for overall operations of the retail store. Which of the following is not the responsibility of a store manager?
  - a. Achieving predetermined monthly and annual sales targets.
  - b. Designing and carrying out promotional schemes outside of the store.
  - c. Leading and motivating a team of in-store sales executives.
  - d. Preparing pre-sales reports like potential client lists and sales progress charts.
  - e. Preparing post-sales reports like daily and weekly sales reports.
8. Earning shelf-space of the retailer, educating sales teams in stores about the products & collecting information on new products and buying patterns of retail customers etc., are some of the responsibilities of which of the following?
  - a. Sales and Merchandising Representatives (SMR)
  - b. Store executives
  - c. Store managers
  - d. Territory managers (TM)
  - e. Zonal managers



## Block 6: Contemporary Issues in Retailing

9. The employment search process consists of four basic steps. These steps are:
  1. Identification of prospective employer,
  2. Preparing for an interview,
  3. Participating in an interview.Which is the fourth one?
  - a. Applying for the job
  - b. Identifying the suitable position
  - c. Obtaining a personal meeting
  - d. Obtaining a personal interview
  - e. Finding a reference
10. Which of the following is the least important skill-set required for Sales Executive/Store Manager?
  - a. Good communication skills (ability to persuade customer)
  - b. Patience to deal with all kinds of customers
  - c. Good product knowledge (in terms of features)
  - d. Scientific temperament
  - e. Keen observation and willingness to listen to customers

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### 23.10 Summary

- The retailing industry is becoming a major driver of world economies.
- Its rapid growth in India has opened many career opportunities for people with all types of experience and qualifications.
- Some of the personality traits retailers generally possess are: they are people pleasers, risk takers, problem solvers and decision makers.
- The key aspects one should consider before taking a job in the retail outlet are: employment security, employee compensation, working conditions, career advancement and job satisfaction.
- One can climb up the retail career ladder. Some common positions found in this industry are Sales Executives, Store Managers and Sales and Merchandising Representatives.

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### 23.11 Glossary

**Career Audit:** A career audit is performed to develop a career plan.

**Career Plan:** A career plan is a written statement that indicates the necessary strategies and tactics an individual needs to adopt for career growth.

**Decision Maker:** A retailer who makes numerous decisions during his operations according to the needs of his business is a decision maker.

**Life Audit:** A life audit is a type of self-analysis that helps us understand ourselves better. It involves answering a set of questions pertaining to family issues, personal beliefs, values, goals, and objectives to gain insights into personal interests, abilities and aspirations.

**People pleaser:** People pleasers are a personality type in retailers who have a knack for reading their customers' mind and anticipating their likes and dislikes.

**Problem Solver:** A retailer who not only understands the inherent problems of retailing but also derives pride/pleasure from solving them is called a problem solver.

**Retail Entrepreneur:** A retail entrepreneur is a person who can organize, manage and take the responsibility of running a retail business.

**Risk Taker:** The risk taker will be the type of retailer who willingly takes risks and has the ability to differentiate productive merchandising risks from unproductive merchandising risks.

**Sales and Merchandising Representative (SMR):** An emerging career in retailing, Sales and Merchandising Representatives (SMR) is employed to communicate information to retailers.

### 23.12 Self-Assessment Test

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1. Describe the personality traits of retailers.
2. Entering in retail career requires a thorough understanding of this sector. Elucidate the key aspect associated with retail career.
3. What are the challenges faced by a retail personnel? Explain them in the light of massive technology push being seen in this sector.
4. What is the common retail position found in a retail stores? Explain.
5. Discuss the employment search process in retail sectors.

### 23.13 Suggested Readings/Reference Material

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### 23.14 Answers to Check Your Progress Questions

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#### 1. (d) Aggressive and Dominating

To succeed in a retailing job, one should have certain types of personality. These personalities are

- a. The People Pleaser & The Risk Taker
- b. The Problem Solver
- c. The Retail Entrepreneur
- d. The Decision Maker

## **Block 6: Contemporary Issues in Retailing**

### **2. (a) People Pleaser**

The retailing business calls for building relationships with people. People pleasers have a knack for reading their customers' mind and anticipating their likes and dislikes.

### **3. (e) Level of absenteeism**

There are five aspects of employment that one should consider before taking up a job at a retail outlet. These five key aspects are employment security, employee compensation, working conditions, career advancement & job satisfaction. Level of absenteeism is generally not considered by retail employees at the time of joining.

### **4. (e) Retail industry does not require selling skills**

Retail industry is an evergreen sector for career because of the following characteristics.

- a. The retail sector offers a high degree of employment security.
- b. There is greater job mobility in the retailing business.
- c. Retailing skills are easily transferable.
- d. Retail industries do not require very high level of skills or competency at entry level.

Option 'e' which states that retail industry does not require selling skills is not valid and hence is the right answer.

### **5. (c) Life audit**

A life audit is a type of self-analysis that helps us understand ourselves better. It involves answering a set of questions pertaining to family issues, personal beliefs, values, goals, and objectives to gain insights into personal interests, etc.

### **6. (d) Brand Manager**

Some common retailing positions found in a retail store are

- Sales Executive or Marketing Executive
- Store Manager & Sales and Merchandising Representative (SMR)

Option 'd', Brand Manager is not a commonly heard retail store designation.

### **7. (b) Designing and carrying out promotional schemes outside the store**

Following are some of the responsibilities of a store manager:

- Achieving predetermined monthly and annual sales targets.
- Designing and carrying out promotional schemes inside the store.
- Leading and motivating a team of in-store sales executives.

- Preparing pre-sales reports like potential client lists and sales progress charts.
- Preparing post-sales reports like daily and weekly sales reports.

**8. (a) Sales and Merchandising Representatives (SMR)**

An SMR is responsible for earning the mind-share and shelf-space of the retailer, educating sales teams in stores about the nature and working of the product, motivating retailer's salespersons to promote the manufacturer's products and collecting information on new products and buying patterns of retail customers.

**9. (d) Obtaining a personal interview**

The employment search process consists of four basic steps. These steps are:

- a. Identification of prospective employer
- b. Obtaining a personal interview
- c. Preparing for an interview
- d. Participating in an interview

**10. (d) Scientific temperament**

The desired skill-set required for a Sales Executive/Store Manager are:

- Good communication skills (ability to persuade customer).
- Patience to deal with all kinds of customers.
- Good product knowledge (in terms of features).
- Willingness to listen

Option 'd': Scientific temperament is the least important factor.

# Retail Management

## Course Structure

Block 1: Introduction to Retailing	
Unit 1	Retailing: An Overview
Unit 2	Retail Institutions
Unit 3	Understanding the Retail Customer
Block 2: Retail Strategy	
Unit 4	Retail Market Strategy
Unit 5	Financial Strategy
Unit 6	Store Location and Site Evaluation
Unit 7	Retail Organization and Management
Block 3: Merchandise Management	
Unit 8	Merchandise Assortment Planning
Unit 9	Purchasing Systems
Unit 10	Merchandise Planning
Block 4: Managing the Retail Store	
Unit 11	Store Management
Unit 12	Store Layout, Design and Visual Merchandizing
Unit 13	Customer Service
Unit 14	Retail Selling
Unit 15	Information Systems and Logistics
Block 5: Retail Marketing	
Unit 16	Retail Marketing Mix
Unit 17	Retail Pricing
Unit 18	Retail Promotion Mix
Unit 19	Application of IT in Retailing
Unit 20	International Retailing
Unit 21	The Future of Retailing
Block 6: Contemporary Issues in Retailing	
Unit 22	Ethical and Legal Issues in Retailing
Unit 23	Careers in Retailing