



## Shoppers' Stop – HR practices with a Business Focus

*Shiv Kiran Nath &  
Swati Bhatnagar prepared  
this case as the basis for  
learning and development  
to illustrate effective  
Human Resource practices  
in the Indian retail industry.*

India has traditionally been known as the country of 'shopkeepers'. The mom & pop stores and 'kirana' stores ruled the marketplace. Indian retail market in the year 2002 was worth Rs.9000 billion of which only 2% (Rs.180 billion) was organized. To be a pioneer in organized retailing in such a scenario required more than just courage. The challenges were never ending. Considerably low profit margins required the business to be run with high efficiencies. The social stigma attached to working in a 'shop' was creating hurdles in attracting any talent to the workforce. Growth was an uphill task with limited finances and more importantly scarcely available quality human capital.

However, against all odds Shoppers' Stop stood its ground and kept its belief in attaining its mission of delivering "Nothing but the Best" to all stakeholders whether it is the customer, employee, investor or the supplier. The company grew from one store covering 2500 sq ft to 16 stores with total area of more than 7, 40,250 sq ft. In this highly value driven organization people are still considered as the most valuable strategic resource for success.

The ending of FY2002 saw the company running into losses. Financial loss combined with negative publicity in media had caused considerable damage to the biggest department store chain in India. The first option to save face and get back on track would have been to reduce costs.

However, contrary to the common management practices of reducing expenditure on HR initiatives during turbulent times, Shoppers' Stop started investing more time and money to create a workforce, which today, has become a competitive advantage.

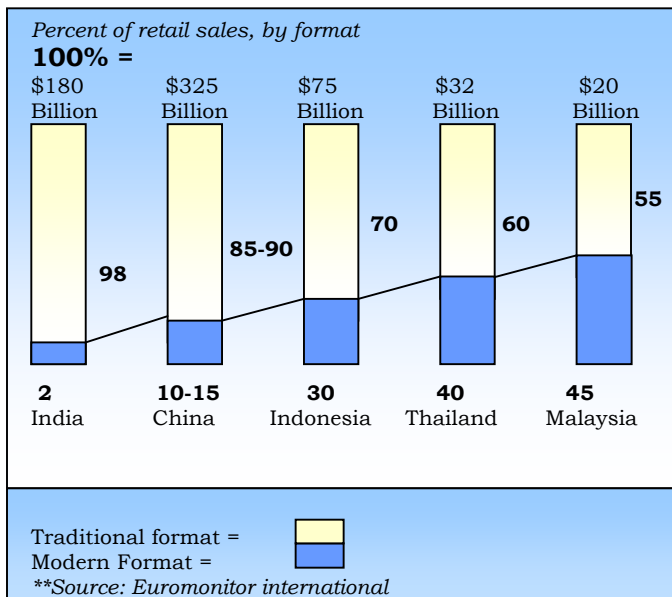
This case exemplifies the use of Strategic Human Resource Management as a turnaround strategy for the company. It will describe the various HR initiatives and innovations, which are imperative for organizational success.





**Indian Retail market and Department stores**

The Indian retail sector is at an inflexion point with changing demographics driving growth of organized retail and driving growth in consumption. In sharp contrast to the global retail sector, retailing in India in terms of size - is highly fragmented and unorganized. The Indian retail industry is evolving in line with the changing customer aspirations across product groups, with modern formats of retail emerging. This is in line with what has been observed in other developed markets. There are 12 million 'kirana' shops in India, 96% of which is less than 500 sq ft. Share of organized retail in the total retail sector in India was less than 2% in FY 2002, and is expected to increase in line with the experiences of other developing nations such as China and Poland.



A number of factors that drive transformation in retail – such as income growth, changing demographic profile and socio-economic environment – are already in place in India. Consumerism and brand proliferation has been another enabler for organized retailing in India. Most of the world's leading brands are now available in India.

Availability of retail space has been one of the main constraints for development of organized formats in the country. However organized retail has to overcome significant challenges in the terms of regulations and infrastructural barriers in order to realize its full potential. Retail sector in India has not yet been granted industry status, limiting funding from banking and

financial institutions. While some of the bigger retailers manage to arrange for funds the smaller ones are deprived. Supply Chain Management (SCM) efficiencies are essential to retailers to maintain and improve margins. In India both vendor management and logistics management are still undeveloped.

India strikes some commonality with China due the fact that population of both the nations reflects the same trends. It is observed that even in high population countries like China it is difficult to attract talent. In India the problems multiplied due to the perception of retail outlets being just 'shops'. Working in a 'shop' was obviously not a very respectable job.

With liberalization in the country unemployment in India decreased. Better jobs were available. More companies started fighting for the same pool of manpower. Different strategies were used to rope in people. Some of them offered international exposure, while some offered high salaries, while yet others offered exciting career opportunities. Retail as an industry did not have any of these to offer. The profit margins in retail were comparatively low; therefore, paying very high salaries was not possible. Dignity of labor was not very high due to the social taboo of working in 'shops'.

The availability and retention of trained manpower poses key risk for the retail sector. With growing opportunities in emerging sectors like BPOs and hotels, the ability of the retail business to hire and retain quality people is under constant pressure.

**Department Store**

These large stores retail primarily non-food items such as apparel, footwear, accessories, cosmetics and household products. They stock multiple brands across product categories, though some of them focus only on their own store label.

Several local department store chains have opened shop in India in the past five years. The convenience factor coupled with aspirational perception of shopping in a department store has contributed to their growth. The larger chains of department stores (Shoppers' Stop, Pantaloons, Westside, and Lifestyle) have presence in metros and mini metros.

At the time when Shoppers' Stop started there were some apprehensions about the markets reaction to comparatively expensive department store concept as price was considered as a key driver in Indian markets.



## Shoppers' Stop Ltd

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Shoppers' Stop is the pioneer in department store retailing in India. As a company Shoppers' Stop's focus has always been to bring in international best practices in their operations, thus providing the customer with a unique shopping experience.

Shoppers' Stop was started in the year 1991 under the guidance of a young man called B.S.Nagesh. The three major investors were K. Raheja Corp., ICICI & IL&FS. This man strongly believed that delighting the customer was the key to being a successful retailer. Stemming from this belief, all systems, processes and business model of Shoppers' Stop are built around the customer.

Initially the store only offered men's wear. Soon Shoppers' Stop's offering increased in breadth and width. Now the offering to the customer included a vast range of lifestyle merchandise, various services and aspirational products, all provided in a world class-shopping environment.

The company also realized that variety, color and size of merchandise play a very important role in delivering a great shopping experience to the customer. A strong supply chain management tool was required to increase responsiveness. Looking at this factor an **Auto Replenishment System (ARS)** was implemented in 2000. Today, the auto-replenishment schedule acts as a live, real time link between the distribution center and the outlets.

Within just 11 years of inception in the year 2002 the company, which had a rather humble start with one store and 2500 sq m, had become a national chain of department stores with 16 stores and approximately 7,40,250 sq m of area. Now the stores were located in different parts of the country including Mumbai, Bangalore, Hyderabad, Jaipur, Delhi, Chennai, and Pune.

Two distribution centers were also setup to support the supply chain requirements of the chain. During this period Shoppers' Stop became the only member of the prestigious **Intercontinental Group of Departmental Stores (IGDS)** headquartered in Switzerland from India. In an endeavor to offer the customer a unique environment and a world class shopping experience the benchmarks have always been global retailers.

In a further effort to enhance the service offering, the first loyalty program of its type in the retail business was launched under the name '**First Citizen's Club**' in the year 1994. A wide range of

service offerings and benefits were offered to loyal customers.

Merchandise planning system was implemented with an objective of planning by week at chain level for the given retail space. Many other investments were made in the fields of inventory management and vendor relationship management.

Soon plans for diversification had started. The chain acquired then 'a small chain' of retail bookstores called '**Crossword Bookstores Limited**'. Year 2000 marked huge investments by the company in building an infrastructure for its future growth.

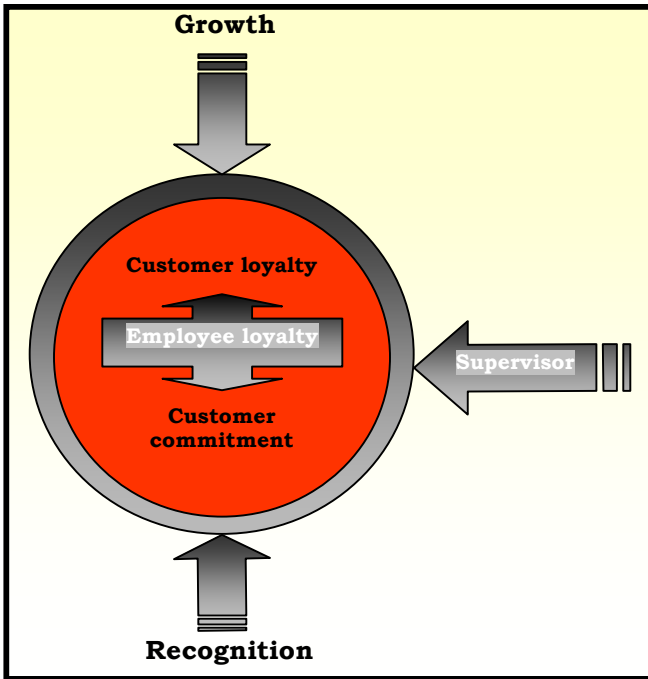
All these investments proved to be too expensive for Shoppers' Stop. The chain ran into major trouble in the financial year ended 2000 when loss was reported for the first time. FY 2001 was to bring more losses to the kitty. These were the years when the company pursued aggressive growth plan, by launching four stores in a time span of 15 months between September 1999 and December 2000, simultaneously changing their technology, logistics and distribution system and entering into new ventures such as Shoppers' Stop.Com (India) Ltd and Shoppers' Stop Services (India) Ltd and acquisition of Crossword. The requisite systems and processes and more importantly management bandwidth to manage growth then did not back these initiatives.

However, for Shoppers' Stop people were central and vital to growth and success. Therefore, contrary to common practice at that point of time, the company got into a heightened research in HR. All HR initiatives and practices were looked at in a very scientific manner. Shoppers' Stop initiated a research with the help of Customer Satisfaction Management & Measurement (CSMM – Walker), a division of the Indian Market Research Bureau (IMRB) International. This research identified "Employee Satisfaction" as a key driver for retention of quality employees. Subsequently, research showed a strong link between Customer Satisfaction and Employee Satisfaction. It was also found that that the Employee loyalty and satisfaction is driven by three top factors: "leadership/supervisor quality", "Growth/career" and "appreciation/recognition". (*See the exhibit below*)

The crux of the entire study indicated that focusing on people practices could be instrumental in the company's turnaround. Hence, based on these findings, the company gradually built Strategic Human Resource



Management as a tool to ensure success at this critical juncture.



\* Source CSMM Walker study for Shoppers' Stop

**People**

By the year 2002 the chain had started facing severe competition from other chains like Pantaloons India, Trent, etc. Competitors were experimenting with different retail formats. Even though Shoppers' Stop's success in the department store category had made this format a clear favorite among the competition, many felt that newer formats should be tested. Pantaloons had plans to move into discount store formats. Trent was on an expansion plan. Everyone involved had realized that they were sitting on a gold mine. Retailing was in its initial stages in India. The first mover advantage could be detrimental. With large investments being made retailers had adopted the aggressive growth as a definite strategy for success.

Shoppers had its share of expansion too. In terms of size Shoppers' Stop was far ahead of competition in the department store category. To sustain the position one had to run faster to stay in the same place. Armed with the aggressive growth strategy when the company started its expansion in terms of infrastructure and finances it was getting increasingly difficult to manage the growth.

Even though the top management was very qualified and efficient the middle and lower level management lacked the required depth. There was a requirement to train the existing work force and align every individual's objectives to achieve business goals.

Vijay Kashyap joined the company in March 2002. An alumni of XLRI, Jamshedpur, he was seen as a perfect candidate to impact the human resource capabilities of the company. In the initial stages of his career, Kashyap had the opportunity to work with one of the best names in the FMCG industry – Hindustan Levers Ltd. During his tenure of 7.5 years he had a comprehensive exposure to vital areas of business including HR, Sales, Marketing and Production. His exposure to FMCG was followed by a stint in the Hotel industry with The Taj (managed by The Indian Hotel Company Ltd). This proved to be a perfect platform that inculcated a strong *Service Orientation* in him. The intense planning focus developed from the FMCG experience coupled with a strong service orientation made Kashyap the perfect choice.

Kashyap's attempt has always been to bring in objectivity in as many HR activities as possible. This would invariably have a positive impact on the credibility of the function. He strongly believed that *'If you can't measure it, it's not quality.'* This belief paved way for very objective and scientifically managed HR practices with strong business focus.

**Building service orientation**

The task of imbibing a customer centric approach in the associates was obviously not an easy one. India was at a nascent stage in terms of providing exceptional customer service. Except for the hospitality industry, the true meaning of exceptional service was never appreciated anywhere else in India. Service excellence was a term, which was only on paper as far as other service sector industries were concerned. With the intense competition in banking and all other fully developed service sector industries good service was beginning to become a hygiene factor. Retailing was not yet ready to take this hard reality at the face value.

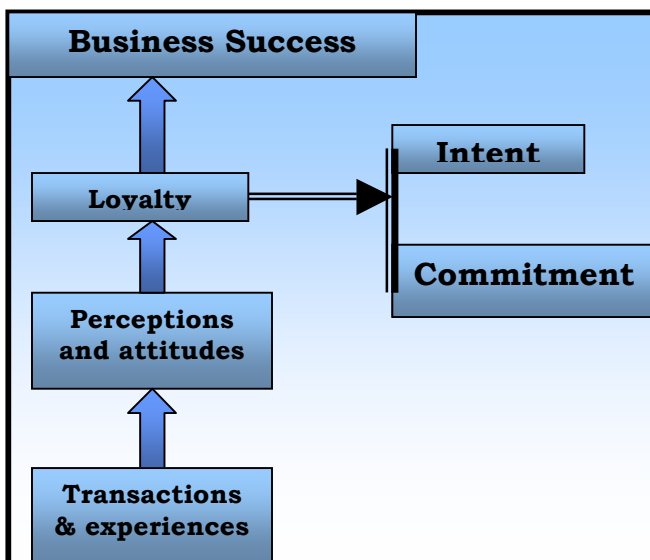
Kashyap, being from the hospitality background completely understood and appreciated B.S.Nagesh's vision of customer focus and service excellence. Being an analytical person by nature he was curious to identify ways and





means of improving customer service and raise the bars to create what we call **'customer delight.'** When customer satisfaction was fulfilling the stated needs of a customer, *customer delight* aimed at identifying unstated needs and fulfilling them. Research shows that there is a 70% chance that a satisfied customer *will* try competition, but a delighted customer will be loyal to the brand. The first logical step was to measure the current levels of customer satisfaction. With 9 stores and more than 50,000 customers walking in every day it was a Herculean task. That was when Shoppers' Stop decided to use an external agency called CSMM Walker for this assignment. Thus CSMM Walker analyzed and presented the first Customer Satisfaction Index (CSI) scores for each of the existing stores. Employee satisfaction till then was measured internally. It was found that apprehensions among associates in revealing their true feelings were due to the fact that it was handled by the human resource department internally. Very soon Employee Satisfaction Index (ESI) was also measured and presented by CSMM Walker.

Further research showed that there existed a strong link between ESI and CSI (See Appendix II). The research by CSMM Walker proved that happy and committed associates could provide better service.



\* Source CSMM Walker Study for Shoppers' Stop in 2003

This was the beginning of a drive towards creating service excellence in the true form as understood not just in India but across the globe. This convinced every one in the company that people are the single most important source to

provide a strategically differentiated market position. Further studies by CSMM showed that the most important factor that ensured job satisfaction for the front-end associates was their relationship with the supervisors. Efforts were initiated to improve job satisfaction for associates. Kashyap was convinced that the only way to make Shoppers' Stop a truly global department store was to create an atmosphere where associates would willingly engage in delighting the customer. This could happen only when the associates were well qualified and trained. This could also happen if every associate would have that zeal to create that magical environment for the customer. All initiatives from that time on were taken with an aim to achieve three main objectives:

- Create a customer focus among all associates
- Creating a qualified, well trained and able workforce
- Creating value for every stakeholder involved

**Value based HRM**

Values are the basic foundation for the formation of the culture of any organization. Even though the values of Shoppers' Stop were well laid it was not put into action. It was very clear that until the associates strongly followed the values, they would be mere words on paper. Thus action points were initiated to ensure that everything that the company did was in line with each of the values. Some of them are:

- The first value is *'The obligation to dissent'* which has been put into practice through an initiative called "Open Forums" or "Focus Groups". These forums are held once every year across all levels of the organization wherein members of the top management of the company go across the chain and get the employees together to openly discuss topics like low performance, increasing sales, employee dissatisfaction. Another initiative taken by Shoppers' Stop to live up to this value is the "Letters to the CEO" in the bimonthly magazine, 'Retale'.
- *'We shall not take what is not ours'* is a value, which is rigorously followed. The practice of vendors gifting items to buyers and other associates is very rampant especially in the festival season. The company has a gift policy in place, which clearly states the situations under which gifts may or may not be



accepted. Any gifts that can't be returned should be deposited with HR department, which in turn will conduct an annual auction of these gifts. The proceeds from this activity are given to CRY. In addition to this Shoppers' Stop also has a lost and found culture wherein the associates proactively seek customers who inadvertently leave their personal belongings in the store while shopping. The policies clearly indicate the procedure to be followed if the customer is not found. The lost and found department is the custodian of all such items, which are found in such situations. The rightful owner on the display of an appropriate identification can claim such articles from the lost and found department. The department holds such articles for a period of three years after which if unclaimed, they are also auctioned as above.

- *'We will have an environment conducive to openness'* is followed right from the way associates are seated in the corporate office, which is called as the 'services office'. Every associate including B.S.Nagesh has open workspaces. Not even a single personal cabin exists in office. Any one can talk to any one in the company at any given time. This includes the CEO.
- *'We will have a willingness to apologize and forgive'*. In order to bring in an element of fairness in the employers ability to terminate the services of an employee an initiative called performance improvement plan or PIP has been established. Under this system an employees services cannot be terminated for work related reasons in an adhoc manner. PIP ensures that quantifiable time bound improvement objectives are set with the associate in the presence of a representative from the HR department. This practice ensures that arbitrary termination based on likes and dislikes of the superior cannot be done. The only exception to this is in case of violation of the corporate values in which case immediate termination is administered.
- *"We will respect our customer's rights"*. The organization's "Exchange Policy" is the most apt evidence of this value. The customers can return any merchandise they buy, within 14 days after the sale of that merchandise, along with the bill. The merchandise is exchanged without any questions asked. If the customer happens to be a First Citizen the merchandise will be taken back within 1-3

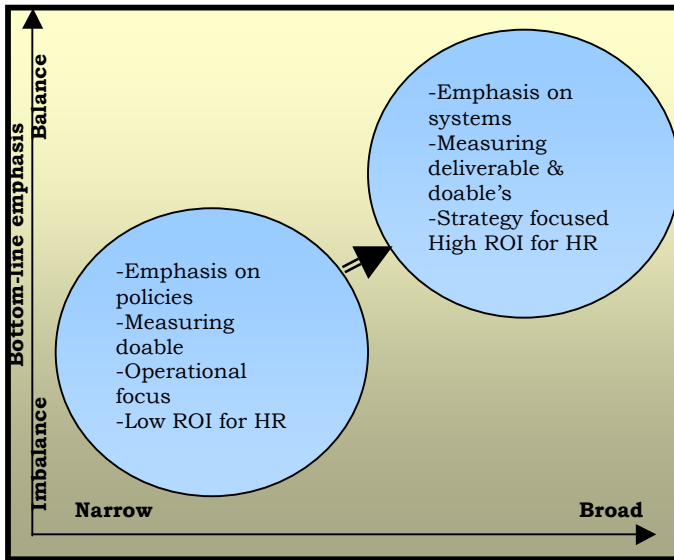
months of purchase. The various initiatives like the ESI and CSI study are all examples of how customer centric the organization is.

The service vision statement **'its magical, it's comfortable, it's my store'** was an expression from one of the customers. The interesting part to note is that the service vision is extended to cover all associates also so that both customers and employees feel a sense of ownership for the store. Through practicing this statement the company wanted to create a truly magical and comfortable shopping experience for all the customers visiting the stores. Shoppers' Stop as a company has always obsessively sought customer feedback. Filling suggestions forms and creating moments of magic are just some of the ways in which they have tried to understand their customers and serve them better.

Social responsibility was never forgotten. Weaver development program in Andhra Pradesh and Gujarat was an initiative taken to actively support the livelihood of farmers by providing them with all the requisite raw material and ensuring that their produce was bought directly by Shoppers' Stop at reasonable prices thus helping farmers lead a peaceful and secure life. At the stores special fixtures and furnishings are provided to enable disabled citizens to shop with great ease. Wheelchairs are provided in front of every store to help the customers. The associates are encouraged to extend a helping hand to any customer in need.

Exceptional **'emotional bonding'** among the associates resulted in them working as a team helping each other in times of need. There have been instances when associates have contributed a considerable part of their salaries to help their colleagues in dire need of finance due to medical reasons. Associates are also encouraged to become members of social organizations like CRY.

The values of the company had shifted the focus to Shoppers' Stop being a truly customer centric socially responsible organization. The foundation to build a successful corporate was laid. Kashyap wanted people to live the values of the company in every minute of their work life. He designed and executed a value driven appraisal form (See *appendix III*). The complete focus was on creating an emphasis on systems thus allowing no scope for subjectivity. The HR architecture of the company was built on this notion of objectivity. (See figure below)



\*Source HR Scorecard – Brian E. Becker

### Associate Productivity

In an environment characterized by low social acceptance and limited profit margins resulting in low financial ability, there were several other constraints limiting high associate productivity. Kashyap soon realized that in such an environment the focus has to be on building 'Emotional Bridges' in all the HR initiatives the company takes.

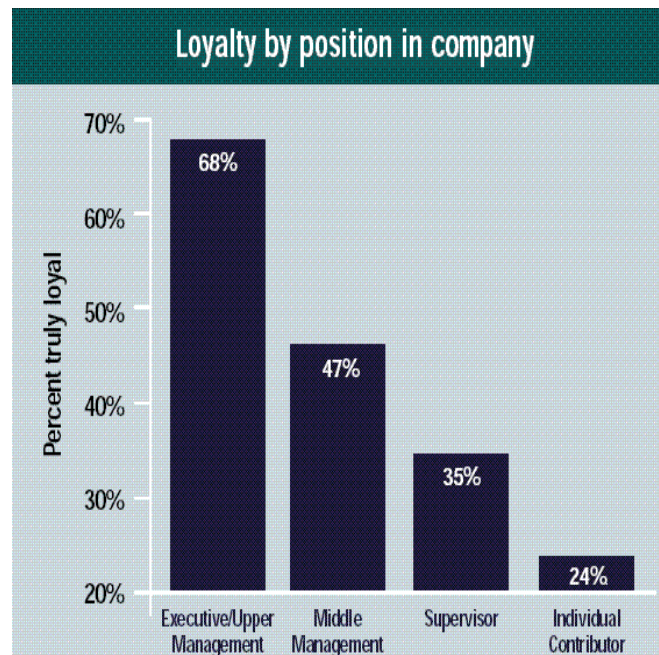
Once an associate is recruited into a company, it is essential that an initial directive be provided to him to make him productive and focused. This also ensures his/her alignment with the company objectives. In order to make a new associate productive, Shoppers' Stop has put in some innovative HR practices in place.

The first initiative taken by Shoppers' Stop is the **customized induction** that they hold for all new joiners. For example: the induction for a person joining in the middle management of the Buying and Merchandising department would be considerably different from that of a person joining the front-end operations. Induction modules are tailor made for new entrants, based on the level and function they join. For its new front-end employees Shoppers' has a 21-day induction training session that includes seven days in the classroom, followed by a buddy training system called the "Guru-Shishya" system, for 14 days. In this fortnight the new recruit works with CCAs who are 'certified' to be buddies. This also helps the new recruit find a

friend in the system and establish a sense of bonding with the workplace.

Induction is a little different for the middle and senior management. They not only go through functional induction but also 'cross-functional' induction so that they have an in-depth understanding of the way the company works. This kind of an induction is more effective as the induction will enable the new joiner to adjust to his new job faster, as he would have understood his function and organization in depth. Such an induction ensures that there is a firm grounding for the employee to start adjusting to his job. It is also an endeavor to make the learning curve of new joiners to grow faster.

Another initiative that has been taken to make an employee more productive is **Mentoring** wherein a more experienced employee coaches an employee who is relatively new in that area or function. This practice runs across all levels in the organization. This essentially is a support tool for a more effective on-the-job training so that the person who is new in the function or area has someone to fall back on in difficult times. He can take advice and draw upon the mentor's experience to make his experience less stressful and difficult. An example of mentoring is when the supervisors selected from the CCAs undergo a Potential Development Centre; they get a mentor under whose guidance they spend 6 months as potential supervisors to learn the role of a supervisor.



\* Source: CSMM Walker 2003



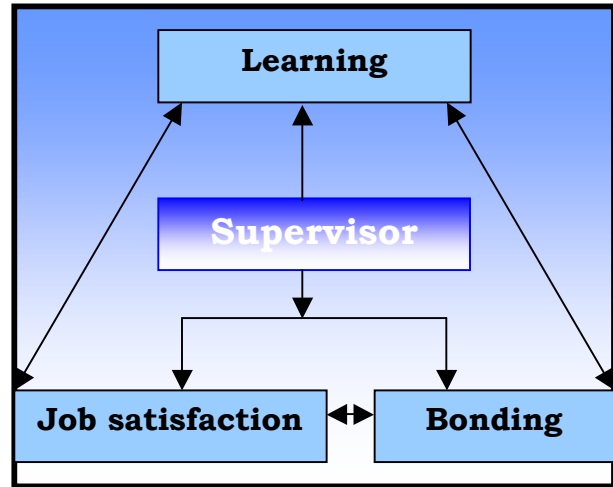


All these were strategic human resource management initiatives taken by Kashyap to increase the loyalty of associates, which at that time was standing at 24% as per CSMM Walker. Shoppers' Stop subsequently decided to take this system a little further. For instance, the company followed the existing system with an introduction program for its CCAs. After 60 days of a group of CCAs joining the company they were asked to participate in a talent contest, *Parichay*. Parents of the performers are invited to be judges at the event. This helps strengthen ties with not just the employee, but also his family. Hence, this initiative serves to build an **'emotional connect'**. Kashyap says, that this aids employee retention at a subliminal level, as when an employee contemplates quitting Shoppers' his family members would urge him to stay back with the company that respects even the families of its employees. Also, in **'Re-tale'**, the in-house newsletter, family members of the employees are invited to write articles on their relationship with the store

### Training

Job satisfaction can be brought about in different ways. Kashyap always believed that one definite way to make it happen is to make the associates feel strongly engaged in their work. One effort through which Shoppers' Stop tries to engage associates is training. In this organization, training is not just looked at as a tool to refresh the skills of the associates, but it is also a way in which the organization can let them know that the organization cares for their growth. Training, in Shoppers' Stop is provided at all levels, beginning at the junior level with the Product training, Customer Service training and Retail Selling Skills training. This kind of training makes sure that the junior levels of employees, who are directly in contact with the customers, have the required skills to service the customers effectively. The middle management undergoes training in teambuilding, leadership, and advanced product training and training to be **'Super-Trainers'**. The training for middle management ensures that they drive their subordinates to perform to the best of their abilities and that they can effectively mentor or guide their subordinates at work. Training at this level also contributes to the personal growth of the employees. The senior

management undergoes training in creativity, lateral thinking and media training.



\* Source: CSMM Walker study for Shoppers Stop

Customer Satisfaction Management & Measurement (CSMM Walker), a division of Indian Market Research Bureau (IMRB) International, undertook a research program at Shoppers' Stop beginning in December 2002 with a series of employee surveys that established a baseline measure of associate satisfaction at their retail outlets. Armed with these initial survey results, Kashyap implemented a series of training, reward, and recognition programs designed to improve associate loyalty among the front-line CCAs. One of the factors that were discovered to be a principal factor in driving up associate satisfaction was **"quality of supervision"**. Following from this, Kashyap conducted training for 100 of the best supervisors, each of who attended 200 hours of advanced courses ranging from management techniques to personal counseling skills to detailed product knowledge. In the FY 2003-04, Shoppers' Stop achieved a total of 45 hours of training provided to each employee for the year, this year they aim at achieving 60 hours of training provided to each employee for the year. Shoppers' Stop holds Train the Trainer workshops wherein associates are trained to be certified 'super trainers'. The current count of certified trainers across the chain is 80. They also have 12 customized modules that have been created on various topics like, communication skills, grooming & etiquette, coaching & counseling, performance counseling, to name a few.





In fact, training is taken quite seriously at Shoppers' Stop as every member of the Top Management Committee has to deliver an average of 12 days per year of training for them to be eligible for bonus pay consideration.

### **Development**

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The development of employees is another innovative initiative that was undertaken to ensure associate engagement to the organization.

- Shoppers' Stop uses **Potential Development Centres**, which is a tool whereby the Organization can identify and maximize the potential of employees and provide them with a career path. All individuals who participate in the PDC are given a customized Development Plan. Individuals will be provided with development inputs through training, coaching and on-the-job exposure to help them take on higher levels of responsibility. These PDCs are developed in-house with the help of SHL guidelines.
- In an effort to develop the employees, Shoppers' Stop also facilitates **Edward De Bono's Creativity and Lateral Thinking Workshop**. This is an initiative that would truly add value to the personal growth of the employees. Currently, 100 out of 280 managers are 'Certified Lateral Thinkers'.
- Shoppers' Stop also holds **outbound programs** like "Building Bridges" which is a team-building workshop for the employees. Such workshops are aimed at developing the associates and the learning that the associates take from these workshops is theirs' to keep and build on. Such programs communicate to the associates that the organization cares for their personal growth and they therefore, develop loyalty and get engaged to the organization.
- The associates also get an **international exposure**, as Shoppers' Stop is a member of the prestigious Intercontinental Group of Departmental Stores (IGDS). This group has the practice of letting the employees of the member stores visit the other member stores for the purpose of knowledge and best practice sharing. Two of the top 10 professors in the world of retailing – Douglas Tigert and Larry Ring were invited to train the top 45 associates in the organization on the topic Strategic Retail Management. This kind of an

exposure not only builds on the associate's personal growth but also gives him a chance to learn the best practices internationally so he may utilize the knowledge to develop or improve the current processes in the organization.

- As a part of the practice to keep the associates engaged, last year Shoppers' Stop initiated a **360-degree feedback** process for the senior management of the company with the help of Prof.T.V.Rao. In this process, the senior management received feedback from their superior, peers and subordinates. This initiative also runs in line with two very important values of the company - "*We will have an environment conducive to openness*" and "*The obligation to dissent*". In the current year they aim at rolling out the 360-degree feedback practice for the middle management. Gradually the plan is to implement this practice across all levels in the organization in order to live up to the values that the organization believes in.

All the above said activities not only ensure that the workforce is engaged but also creates value within the organization.

### **Reward & Recognition**

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The success of any organization in the service sector depends on the level of service that it can provide. Kashyap being from the service sector was very early to recognize that. Service as a competitive advantage was a differentiating factor, which was difficult for competitors to copy. While the associates in the company are given the best of training and working environment the effort would not be justified until they were recognized. Unlike any other reward programs Kashyap introduced - 'Jo Jeeta Wohi Sikander', (JJWS) which was aimed at recognizing and rewarding associates who went out of their way to provide unparalleled service to the customers.

The CSMM Walker initiated a research program that measured the baseline employee satisfaction at our retail outlets. Many factors affecting employee commitment were measured. The factors correlated amongst each other greatly. It was found that three top factors that drive employee loyalty were: "Leadership/ supervisor quality", "fairness (mainly compensation) and "appreciation or recognition".



Training	Communication	0.92
Accomplishment	Communication	0.86
Communication	Job Satisfaction	0.85
Accomplishment	Job Satisfaction	0.84
Job satisfaction	Supervisor	0.83
Training	Job Satisfaction	0.81
Accomplishment	Training	0.78
Training	Care & Concern	0.75
Communication	Care & Concern	0.75
Accomplishment	Supervisor	0.71
Supervisor	Care	0.7
Communication	Supervisor	0.69
Accomplishment	Care & Concern	0.63
Job Satisfaction	Care & Concern	0.57

\* Source: CSMM study for Shoppers' Stop

The correlations established among various factors are shown in the above table. The leadership and supervision aspect was taken care by adequate training and developmental initiatives to the concerned people. As for recognition and appreciation Kashyap, through JJWS, successfully ensured that associates who were customer centric and created '**Moments of Magic**' were promptly rewarded. Under this group reward program, CCAs at each store are rated on product knowledge, operational skills, and customer feedback, with individual CCAs and supervisors designated as Sikanders (champions) and with the leading store receiving a substantial cash award divided among the team.

Awards were also given for good suggestions to improve levels of customer service, process improvements, and business opportunities. All this created a positive competition among all the associates in the company. Rather than just taking it as a job, now associates had started to think about ways to improve the existing systems and processes. The point to be noted is that all this was only aimed at increasing customer satisfaction and making Shoppers' Stop reflect its mission statement '**Nothing but the Best**' for the customers.

### **Compensation & Benefits**

Even though money is not considered as the single biggest motivator, it does play a major role in increasing job satisfaction and building employee loyalty.

Shoppers' Stop has a systematic process of career progression, increments and financial rewards.

At the time Kashyap joined, a single person handled the department. Increments were constantly given at an average rate of 5-7% per annum. No fixed career paths were mapped. Monetary rewards were decided 'on as and when' basis. It was an uphill task to structure and set up a complete compensation system. Immediately the team was expanded from one person to three well-qualified employees. A versatile HRIS system was implemented. Ramco e-solutions is a full-fledged HRIS that allowed for every function from career planning to increments to salary processing. The team was made responsible for creating a scientific structure that would be highly transparent and fair. The monetary incentive scheme is aimed at aligning individual aspirations and goals to the organizational goal of profit maximization through excellent customer service.

**Compensation Philosophy:** The philosophy behind the compensation management at Shoppers' was formulated with a focus to be the employer of choice by maintaining internal and external equity and also creating a performance driven culture. In addition to this a basic perception of fairness has to be there among all the associates. Increments are fairly linked to the annual appraisals. This not only ensures fairness but also complete transparency.

The appraisals form a firm base for employee recognition. Appraisals are carried out with mutual consultation of the associate and the superior. The appraisal forms are well designed to capture an associate's performance in the true sense. 360-degree appraisals have also been introduced recently to ensure objectivity and fairness. Appraisals also are a source to reinforce values (*See Appendix III*).

Now associates were not blindly rewarded for the number of years they put in but for the value they created in the company. Increments were no longer automatic. Career paths were decided and recorded. To instill a performance driven culture it was necessary to link a certain part of associates' income to their performance. With this thought Profit Linked Reward Scheme or PLRS was introduced.

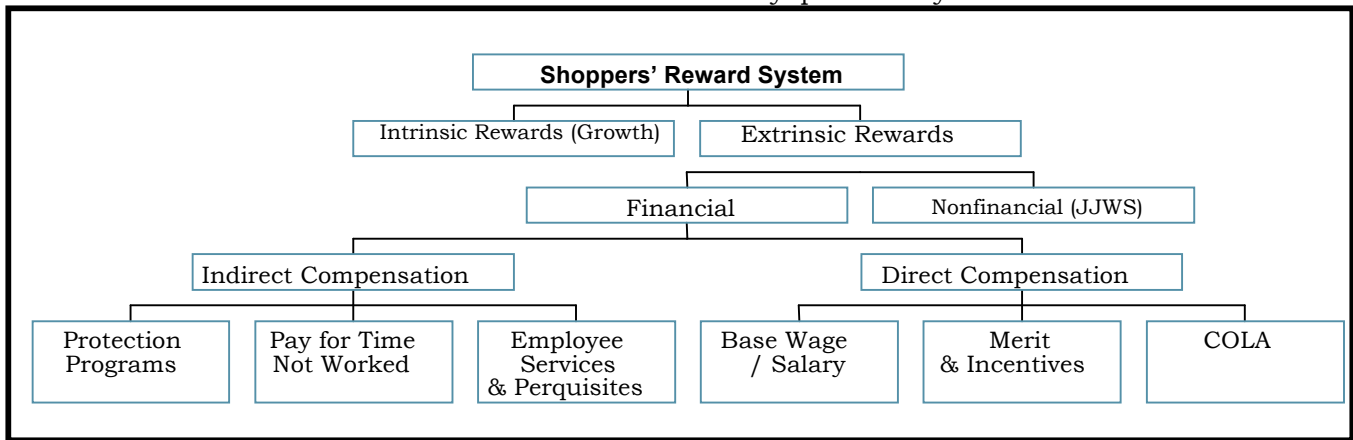
**Variable Pay:** The variable pay system, which is currently operational in the company, is the Profit Linked Reward Scheme (**PLRS**), which looks at employees as functional teams and



rewards the teams in monetary terms for exceptional performance. This program was a result of the initiative taken by Kashyap in slashing the fixed increments of 5-7% per annum and introducing PLRS which gave an associate, on an average, 13% of monthly gross which was in turn achieved by around 65% of the total associates. The reward goes up to 25% of associates CTC. This resulted in a strong performance focus. Performance criteria for each team and group of associates are decided in consultation with the team as a whole.

**Strategic HRM**

All these activities and innovative initiatives that were undertaken by Kashyap were with certain strategic visions. He always wanted to make the company performance oriented and customer centric. Kashyap with his professional expertise and persistence had made Shoppers' Stop an aspirational company for young professionals. With all the systems and strategic directions set to increase efficiency of the work force, now Kashyap set his eyes on the future.



The effort is to create a sense of fairness and achievement orientation. This has not only successfully imbibed a sense of competition in the most positive sense but also has contributed to increasing performance.

Surveys are conducted at regular intervals to ascertain the feelings towards PLRS and also to find the acceptability levels among the associates. The reward scheme has been made totally flexible to adapt to the changing needs of business. It is constantly monitored to ensure that the criteria selected are in the best interests of the employees.

**ESOP's:** Employee Stock Option plan was introduced to create a sense of ownership among the associates. Associates would feel more involved in their work when they feel that they will be rewarded for what they give to their function. The company is on the verge of going public. Post IPO the ESOP's scheme will be furthered to reach many more associates.

As the organization grows larger complexities involved in compensation and benefits will increase. Kashyap has always been strongly against outsourcing any Human Resource functions.

It was now time for the company to invest in getting qualified professionals to manage the growth of the huge business. The initiatives mentioned till now were implemented and followed in very short time span. They were constantly monitored and readjusted to ensure complete compliance. These initiatives with other operational initiatives by B.S.Nagesh saw Shoppers' Stop emerging victorious out of the red spot. The company was completely turned around in the year 2003. The company registered total profit before tax (PBT) worth Rs.106 million. FY 2004 was an even bigger success with the profits climbing to Rs.131 Million (See Exhibit D, E and F). Shoppers' Stop had at last struck gold. With the combined effort of the associates the company came through bad times in flying colors.

But neither B.S.Nagesh nor Kashyap would rest on their laurels. Kashyap was determined to make the company reach greater heights. He set his mind on securing the future of the company. He had a vision to make Shoppers' Stop the most aspirational company in every management college in the country. He laid out a plan to start the first *Management Trainee Program* for the company. The management trainee program was aimed at providing the selected young management graduates from some of the best



management schools of the country with an exposure to all areas in retailing. The program was aimed at making superior professionals out of the young management trainees. They were inducted by all the top management members and exposed to all retail functions like Buying and Merchandising, Retail Operations, Finance, Human Resources and Supply Chain Management. This well structured program indigenously developed by Kashyap is soon to be one of the best management trainee programs in India.

This was a strategic decision by Kashyap for a change management initiative, which will drive the growth of Shoppers' Stop and make it a true corporate. This will add meat to the currently lean middle management and ensure quality and improved productivity.

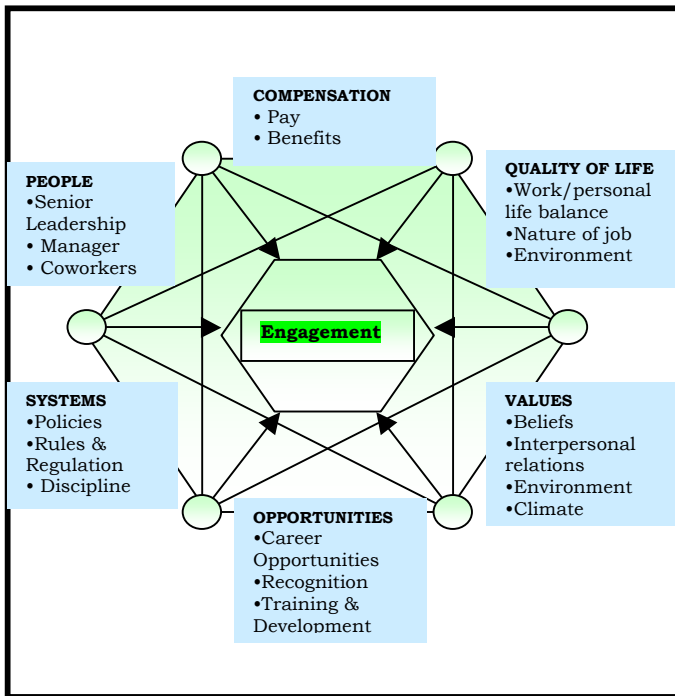
the employees see a development path beyond their current job at the organization. Assessment Centre, therefore, is a tool whereby the Organization can identify and maximize the potential of employees and provide them with a career path. The beauty of this assessment center was the fact that an associate in the company could apply for the CEO's position if qualified.

With the existing competition in the retail sector and with the government on the verge of allowing foreign direct investment, which is bound to increase the competition manifolds Shoppers' Stop had to secure a capable and engaged work force. While all the initiatives taken by Kashyap would ensure that Shoppers' was far ahead of the competition in terms of creating an excellent work environment, what was not budgeted for was the BPO wave. With BPOs hitting the Indian market, job opportunities for youngsters multiplied. Money was obviously a major criterion. While BPOs paid exceedingly high salaries it was not operationally feasible for a retailing organization to pay such high amounts. Kashyap had constantly strived to create a work force, which is very young. The average age of the company in the year 2004 was just 25 years. This was two years less than the average age in the year 2003. He believed that the younger the company, the better and more enthusiastic would be the service provided. Not only did the younger population have more energy but also the required achievement orientation and urge to succeed.

Almost 85% of the employees in the company were fresh graduates. It was a real time challenge to get these graduates at lower salaries than what the BPO's were offering. It was to be a fight between quality and quantity.

Human Resources as a profession always lacked focus. This was highly unacceptable to Kashyap, who as a professional has always been focused and precise. He knew that if the right directions were given and action points formulated it would make wonders. He had already started thinking of a clear strategy to increase the efficiency of the Human Resources as a business function. The strategy he formulated included every thing that is normally missing from most of the Human Resources departments.

Kashyap synthesized the strategy and made what is known as a HR Scorecard (See Appendix IV). The scorecard had everything including the strategies, the criteria used to measure performance against these strategies and the



Shoppers' Stop follows a clear policy – No one gets promoted on the boss's recommendation. Hence, the 'Assessment Centre' is used as a tool to determine promotions at this organization. All vacant positions in the organization are advertised internally and a panel of senior members along with a HR manager assesses the applicants. This practice is followed across grades and positions. The company, on an average, holds 18 Assessment Centers every year covering all levels and functions in the organization. This practice works not only as a tool for promotions but also further engages the employee to the organization. This happens as





different parameters to provide strategic direction. The Scorecard was formulated keeping in mind the factors that would affect employee loyalty and higher levels of commitment known as '**Engagement**' (See the figure below).

With such clear systems and process as the Potential Development Center and Assessment Centers Kashyap had successfully made the company attractive for young graduates.

Unlike BPOs where it was just a job, Shoppers' Stop was providing people with a career. This was well appreciated among the young and qualified population of the country. Shoppers' Stop had it all – A challenging assignment, prospects for growth, a chance to contribute, and an attractive compensation for performers. Kashyap had hit the right mix of all these four factors to propel the company to greater distances.

Kashyap's dream for Shoppers' Stop in the years to come can be consolidated as:

- Shoppers' Stop to be among the top 25 employers in the country.
- Nurture all the associates through opportunities.
- 150 associates to own shares of the company.
- 25 – 35% of salaries through variable pay.
- Globally competitive workforce through world-class training.

Shoppers' Stop has had its share of ups and downs through 13 years of existence. This retail pioneer ran into financial trouble, with the media wondering whether Shoppers' Stop will be able to sustain itself. However, continued belief and investment in its Human Resources strategies has successfully pulled the company out of turbulent waters, thus demonstrating that, for organizational success it is imperative that it has a strong Human Resource strategy.



Summary of Profits & Losses as restated for the years ended March 31, unconsolidated

(Rs. In Millions)

<b>Particulars</b>	<b>2002</b>	<b>2001</b>
<b>Total Income</b>		
Gross Retail Sales	2,402	2,098
Less: Cost of Consignment Merchandise	282	213
	2120	1885
Other Retail Operating Income	53	57
Other Income	40	35
Increase in Inventories	55	40
<b>TOTAL</b>	<b>2268</b>	<b>2017</b>
<b>Less</b>		
<b>Total Expenditure</b>	<b>2266</b>	<b>2247</b>
<b>Net Profit - (Loss) before Tax</b>	<b>2</b>	<b>(230)</b>
<b>Taxation - Current</b>	<b>-</b>	<b>-</b>
<b>Net profit / - (Loss) after Tax (As per Audited Accounts)</b>	<b>2</b>	<b>(230)</b>
<b>Impact on account of adjustment required by paragraph 6.18.7 (b) of chapter VI of the Guidelines</b>	<b>5</b>	<b>15</b>
<b>Adjusted Profits - (Losses) for the year</b>	<b>7</b>	<b>(215)</b>
Accumulated Profits/ - (Losses) from previous Years	(293)	(78)
<b>Balance carried to Summary of Assets &amp; Liabilities</b>	<b>(286)</b>	<b>(293)</b>

(Exhibit A)

Summary of Cash Flow Data as Restated for the Years ended March 31, Stand alone and unconsolidated

(Rs. In Millions)

<b>Cash Flow Data as Restated</b>	<b>2002</b>	<b>2001</b>
Net cash from operating activities	29	41
Net cash (used) / = in investing activities	42	(324)
Net cash provided / (used) in financing activities	(82)	(74)
Net (decrease) in cash and cash equivalents	(11)	(357)

(Exhibit B)



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Summary of Assets & Liabilities as restated for the years ended March 31, unconsolidated

(Rs. In Millions)

Particulars	2002	2001
<b>A. Fixed Assets</b>	493	431
<b>B. Investments (Unquoted)</b>	94	69
<b>C. Current Assets, Loans and Advances</b>	622	757
<b>D. Liabilities and Provisions</b>	655	711
<b>E. Net worth (A+B+C+D)</b>	<b>554</b>	<b>546</b>
<b>Represented by</b>		
<b>A. Shareholders' Funds:</b>		
i) Share Capital	263	263
ii) Reserves	577	576
<b>iii) Less: Profit &amp; Loss</b>		
Debit Balance - (Loss) (as restated)	(286)	(293)
<b>B. Total</b>	<b>554</b>	<b>546</b>

(Exhibit C)

Summary of Profits & Losses as restated for the years ended March 31, unconsolidated

(Rs. In Millions)

Particulars	2004	2003
<b>Total Income</b>		
Gross Retail Sales	3,954	2,949
Less: Cost of Consignment Merchandise	708	291
	3246	2658
Other Retail Operating Income	73	58
Other Income	18	23
Increase in Inventories	111	158
<b>TOTAL</b>	<b>3448</b>	<b>2897</b>
<b>Less</b>		
<b>Total Expenditure</b>	<b>3317</b>	<b>2791</b>
<b>Net Profit - (Loss) before Tax</b>	<b>131</b>	<b>106</b>
<b>Taxation - Current</b>	<b>10</b>	<b>-</b>
<b>Net profit / - (Loss) after Tax (As per Audited Accounts)</b>	<b>121</b>	<b>106</b>
<b>Impact on account of adjustment required by paragraph 6.18.7 (b) of chapter VI of the Guidelines</b>	<b>(1)</b>	<b>(16)</b>
<b>Adjusted Profits - (Losses) for the year</b>	<b>120</b>	<b>90</b>
Accumulated Profits/ - (Losses) from previous Years	(196)	(286)
<b>Balance carried to Summary of Assets &amp; Liabilities</b>	<b>(76)</b>	<b>(196)</b>

(Exhibit D)



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Summary of Assets & Liabilities as restated for the years ended March 31, unconsolidated

*(Rs. In Millions)*

<b>Particulars</b>	<b>2004</b>	<b>2003</b>
<b>A. Fixed Assets</b>	770	666
<b>B. Investments (Unquoted)</b>	93	94
<b>C. Current Assets, Loans and Advances</b>	1,054	823
<b>D. Liabilities and Provisions</b>	1,142	937
<b>E. Net worth (A+B+C+D)</b>	<b>775</b>	<b>646</b>
<b>Represented by</b>		
<b>A. Shareholders' Funds:</b>		
i) Share Capital	274	265
ii) Reserves	577	577
<b>iii) Less: Profit &amp; Loss</b>		
Debit Balance – (Loss) (as restated)	(76)	(196)
<b>B. Total</b>	<b>775</b>	<b>646</b>

**(Exhibit E)**

Summary of Cash Flow Data as Restated for the Years ended March 31, Stand alone and unconsolidated

*(Rs. In Millions)*

<b>Cash Flow Data as Restated</b>	<b>2004</b>	<b>2003</b>
Net cash from operating activities	118	166
Net cash (used) / = in investing activities	(187)	(249)
Net cash provided / (used) in financing activities	63	80
Net (decrease) in cash and cash equivalents	(6)	(3)

**(Exhibit F)**





**Appendix II**

**Measurement of Customer Satisfaction**

Shoppers' Stop has been measuring and tracking the drivers of customer satisfaction since 1999. This has resulted in a Customer Satisfaction Index (CSI). The CSI score and customer feedback is taken extremely seriously by the organization. These scores and feedback are used for strategic planning and operational improvements. Every year two studies are carried out. CSI scores for the previous 2 years are as follows:

	<b>Consumer Satisfaction Index</b>			
	<b>May - 02</b>	<b>Dec - 02</b>	<b>May - 03</b>	<b>Dec - 03</b>
<b>Process Index</b>	48.27	50.73	49.38	54.50
<b>Overall Index</b>	58.19	62.43	60.30	63.15

The Process Index covers factors within the control of the Company whilst the Overall Index also covers additional factors that may be outside the control of the Company but may have an impact on Customer Satisfaction.

**Measurement of Employee Satisfaction**

Shoppers' Stop believes in measuring Employee Satisfaction as well. This is because the organization believes that Employee Satisfaction has a direct relationship with the Customer Satisfaction. An annual online survey is carried out for measuring Employee Satisfaction Index (ESI), on a store and a chain level. ESI is now linked to management performance and has also been added as a KRA for several managers. The ESI scores for the past two years are as follows:

	<b>Employee Satisfaction Index</b>		
	<b>Dec - 02</b>	<b>Dec - 03</b>	<b>Variance</b>
<b>Work Factor Index</b>	55.6	64.9	9.3
<b>Overall Index</b>	71.6	78.8	7.2

The Work Factor Index covers the parameters that directly impact the employee whilst the Overall Index covers additional factors such as company loyalty and image, which also influences Employee Satisfaction, but are outside the purview of the immediate manager.

(Source: IMRB, an affiliate of CSMM Walker International)



**Appendix III**  
**Living Our Values Objective**

<p><i>Please narrate critical incidents to explain how you have lived by our Shoppers' Stop values. (Attach additional sheet if required)</i></p>
<p><b><i>"We will not take what is not ours"</i></b></p> <ul style="list-style-type: none"> <li>We will strive to create systems and a culture that ensures integrity at all levels of the organisation</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"The obligation to dissent"</i></b></p> <ul style="list-style-type: none"> <li>We will provide a workspace that offers freedom and security to express a point of view on a decision or action perceived to be incorrect or detrimental to the best interests of any stakeholder</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will have an environment conducive to openness"</i></b></p> <ul style="list-style-type: none"> <li>We will have an environment enabling transparency in communication, intent and actions, thereby building trust of customer, employees, shareholders and business associates</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will have an environment for innovation"</i></b></p> <ul style="list-style-type: none"> <li>We will encourage and foster an environment supportive to new ideas, thereby creating progress and a momentum for change in the right direction</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will have an environment for development"</i></b></p> <ul style="list-style-type: none"> <li>We will recognise and support the individuals' need for growth through constant input, direction and opportunities, with respect to both employees and business associates.</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will have a willingness to apologise and forgive"</i></b></p> <ul style="list-style-type: none"> <li>We will create an environment that is developmental rather than punitive by building accountability and responsibility for our actions and a willingness to acknowledge and learn from mistakes</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will respect our customers' rights"</i></b></p> <ul style="list-style-type: none"> <li>We will at all times, be focused on understanding and then fulfilling the expectations of the customer. By definition, "the customer" is "anyone who interacts with us", i.e. customer, supplier, owner, employee, shareholder and business associate.</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will create an environment of trust"</i></b></p> <ul style="list-style-type: none"> <li>We will continually create systems and structures, and encourage behaviour that allows people to trust each other.</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will be fair"</i></b></p> <ul style="list-style-type: none"> <li>We will at all times, treat employees, customers and business associates equally and impartially</li> </ul> <p><b>Critical Incident:</b></p>
<p><b><i>"We will be socially responsible"</i></b></p> <p>We will at all times, as individuals and as an organisation, ensure that the effect of our actions on society are beneficial or not detrimental</p> <p><b>Critical Incident:</b></p>

\*\* Source: Last part of 2004 appraisal form of Shoppers' Stop Ltd.



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