

CUSTOMER RETAINING STRATEGY OF RETAIL CHAINS IN KERALA

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ABSTRACT

Retailing is the trending sector of most economies of the world. It has been one of the fastest growing sectors and contributes more than one-fourth of the GDP of many countries. The sector contributes nearly 20 percent employment in the world. Organized retailing is the dominant form in most of the European countries, USA, Canada, Australia, etc. In India this form of retailing is started in 1990s and presently possesses nearly twenty percent of total retail turn over, however, grows at a CAGR of 30 per cent, which is considered the highest rate in the world. In Kerala, Organized retailers consists of supermarkets owned by private chains as well as independent large retailers, Margin free markets and government controlled retailers. Here, Private Supermarkets are supposed to compete with Margin Free markets. In this study, an assessment is made in respect to the performance of Private Supermarkets and Margin Free Markets with 18 retail variables applicable to them. The variables are classified into six groups by using the statistical tool Exploratory Factor Analysis. The present study is descriptive and analytical in nature. It is found that the factors 'Assortment and Service' and 'Quality of Goods', Private Supermarkets are far better than Margin Free Markets. But in the case of factor 'Price of Goods', Margin Free Markets are better than Private Supermarkets as the former one sells goods at less prices than the latter.

KEYWORDS: *Organized Retailing, Retail Formats, Food Retailing, Retail Factors, Retail Strategy.*

Introduction

Retailing is considered as the largest sector which provide huge number of employment and significantly contributes towards the economic growth of many countries. In many countries, the sector still grows and is a booming one. According to recent reports, the US\$9 trillion retail industry is the world's largest industry and the sector is still growing. According to Forbes Magazine, 47 of the Global Fortune 500 companies and 25 of Asia's top 250 companies are retailers. Retailing is a significant contributor to the world's GDP (about 28 per cent) and contributes more than 20 percentage employment. Organized retailing is the form prevalent in most of the developed countries in the world. It accounts for more than 50 percent of the retailing business. In Europe it is about 70 per cent, 50 per cent in Malaysia, 40 per cent in Thailand, 40 per cent in Brazil and Argentina and 25 per cent in China.

The Indian retail market, over the last decade, has shown greater acceptance for organized retailing formats. Domestic retailing is emerging from a multitude of unorganized family - owned business to organized modern retailing. Indian retail sector accounts for 23 per cent of the country's GDP and contributes to 8 per cent of total employment. Hyper markets, currently accounting for 14 per cent of mall space are expected to witness high growth. More than 90 per cent of retailing in India fall into unorganized sector. Organized retailing, initially concentrated in large cities but later the trend was changed and supermarkets and chain stores started to expand their activities to semi-urban and rural areas. Organized retailing in India is expected to grow 25 - 30 percent yearly. Industry experts predict that the next phase of growth in the retail sector will emerge from the rural markets.

The state of Kerala accepted the entry of organized retailers at a high level. Modern retail formats- supermarkets and hypermarkets are started to function in the state in an extraordinary nature in the form of both chains and independent entities. More than 1100 Private Supermarkets function in the

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state including 470 Margin Free Markets claiming that they sell a large assortment with high quality at low prices.

Statement of the Problem

Kerala is rather considered a consumer state. About 4 lakh small independent retailers engage in the retailing sector and a lion part of them are dealing with food, grocery or household items. They are replaced at a high rate by large formats such as supermarkets and hypermarkets and claims that they sell large variety and considerable number of goods at low prices. The supermarkets in the state consist mainly of two categories based on their nature and management aspects, viz. Private Supermarkets and Margin Free Supermarkets. Both classes of retailers are seen different in retail variables such as pricing, quality of products, assortment of products, display, customer service, etc. It is seen that many places they compete each other. In this study, an analysis is made with respect to the performance of both classes of modern retailers by considering their customer responses on the selected 17 variables.

Methodology

Both primary and secondary data were used in the study. Primary data were collected from 432 customers who have been using both Private Supermarkets and Margin Free Markets for buying their household needs. A multi stage random sampling method is used for arriving the sample customers. Samples are collected from selected 25 places consisting three districts of Kerala, namely: Thiruvananthapuram, Ernakulum and Kozhikode. Secondary data were collected from journals, websites, books, etc. Statistical tools such as exploratory factor analysis, mean and t-test are used in the study to substantiate the findings. The study is descriptive and analytical in nature.

Results and Discussions

Kaiser-Meyer-Olkin measure is used for testing to identify whether the data can be used for factor analysis or not. The data considered is satisfied with the test as the value is 0.963, which is above 0.7, an accepted level.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.963
Bartlett's Test of Sphericity	Approx. Chi-Square	16925.354
	df	595
	Sig.	.000

Source: Survey data

As per the KMO test, it is proved that factor analysis is suitable to solve the problem.

- **Identification of Factor Variables :** Total Variance Explained table is drawn as under to reduce the number of variables in to factors variables which will represent all variables. Factor Analysis is a data reduction technique designed to represent a wide range of variables on a smaller number of dimensions.

Table 2: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.483	41.380	41.380	14.483	41.380	41.380	14.379	41.082	41.082
2	9.399	26.855	68.236	9.399	26.855	68.236	9.448	26.995	68.076
3	1.022	2.920	71.156	1.022	2.920	71.156	1.078	3.079	71.156

Extraction Method: Principal Component Analysis.

Source: Survey data

As per the total variance explained table (2), three factor variables explain 71.156 per cent of the loading and therefore, three variables will represent all the eighteen variables. To identify the variables to be included in the three factor variables, Rotated Component Matrix is drawn and based on the co-efficient values of variables, they are grouped together and is necessary to name the factors.

Table 3: Rotated Component Matrix

Variables	Component		
	1	2	3
Attractiveness in display	.937	.051	-.011
Availability of brands	.934	.040	-.025
Quality of Packing	.929	.043	-.006
Space layout in store	.929	.046	-.008
Quality of food grains	0.26	.926	-.044
Speedness in billing	.922	.032	-.007
Quality of convenience goods	0.32	.922	-.048
Cleanliness in the shop	.920	.036	-.015
Price of convenience goods	-0.15	-.005	.919
Availability of fresh stock	.187	.919	-.013
Location advantages	.912	.036	-.012
Price of food grains	-0.47	-.009	.907
Customer personal care	.900	.036	-.018
Working hours	.887	.049	-.101
Complaint redressel	.887	.017	.042
Quality of Packing	.153	.819	.121
Facilities available	.780	.058	.071

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Source: Survey data

Table 3 gives out the first factor variable represent 11 variables (those given bold in component 1 column) which are related with assortment of goods, attractiveness in display and service, therefore, the factor is named '**Assortment and Service**'. The second factor contains 4 variables, given in component 2 column in table 3, represent the quality of the items dealt by supermarkets and so the factor is named '**Quality of goods**'. Certainly, '**Price**' is the third factor which contains 2 variables.

Table 4: List of variables in the Factor Variables

Factor 1 Assortment and Service	Factor 2 Quality of Goods	Factor 3 Price of Goods
Attractiveness in display	Quality of food grains	Price of Food grains
Availability of brands	Quality of convenience goods	Price of Convenience Goods
Parking facilities	Availability of fresh stock	Discount
Space layout in store	Quality of packing	
Speedness in billing		
Cleanliness in the shop		
Location advantages		
Customer personal care		
Working hours		
Complaint redressel		
Facilities available		

- **Comparative Assessment between Private Supermarkets and Margin Free Markets.**

Customer responses with respect to the performance of Private Supermarkets and Margin Free markets on assortment of goods, quality of goods, price levels, service availability, etc were collected on a seven point scale and classified the variables in to three factor variables by using Exploratory Factor Analysis with the help of SPSS. The mean scores of factor variables are drawn separately for the two

types of outlets and mean differences are assessed. One sample t- test is used to validate the differences between factor variables applicable to the outlets. The hypothesis used in this part of the study is given below.

- H_0 : There is no difference between the observed means of factors variables between the Private Supermarkets and Margin Free Markets
- H_1 : There is difference between the observed means of factors variables between the Private Supermarkets and Margin Free Markets

Table 5: One Sample t- test for Comparing Factor Variables

Factor variables	Mean Private SM	Mean Margin FM	Mean Differences	t- value	Sig. level
Assortment and Service	56.617	40.112	15.887	40.112	.000
Price of Goods	12.011	10.143	1.871	34.629	.000
Quality of Goods	21.194	17.492	3.704	35.402	.000

Source: Survey data

Table 5 substantiating the result of t-test in comparing the two retail chains, viz. Private Supermarkets and Margin Free Markets in Kerala, it was observed from the responses of customers that Private Supermarkets are far ahead than Margin Free Markets in the case of two factors, namely 'Assortment and Service' and 'Quality of Goods'. However, the Margin Free Markets charge less price for commodities than the Private supermarkets. In all the case of three factor variables the t-value and sig. level is sufficient to reject the null hypothesis ($P < 0.05$). There is significant difference observed between the means of both the retail chains. And thus it is substantiated as customers believe that the Private Supermarkets and Margin Free Markets are different while considering brand availability, attractiveness in display, layout of the shop, parking facilities, quality of food and other convenience goods and their prices.

Major Findings

The major findings of the study are given below

- Assortment and Service, Quality and Price of Goods are the three resultant factors, which represent most of the retail variables.
- Considering the factor 'Assortment and Service' in the Private Supermarkets, customer perception is significantly varied among the three regions of Kerala, however, the central customers are more satisfied than other two regions. But it was found that variation in the perception of customers is not significant considering urban, semi-urban and rural areas as well as income levels. Taking Margin Free Markets as another type of retailer, their customer perception is significantly varied among regions and area wise, however, no variation exists among income levels of customers considering the factor 'Assortment and Service'. The northern customers and urban residence were more satisfied than those of others.
- Quality of Goods supplied by Private Supermarkets is found comparatively better than Margin Free Markets in Kerala. Considering means of responses in regions, areas and income levels of customers of private supermarkets, significant variation exists among regions only. When considering the perception on Margin Free Markets, both regional and area level means of Quality of Goods varied significantly but not in the case of income level of the customers.
- Price level in the Private Supermarkets is found higher than those of Margin Free Markets. Taking both types of retailers as separate groups, their price level is found to be varied among central, southern and northern regions of Kerala. But no significant variation was found among the urban, semi-urban and central customers with respect to the price levels of them.
- Private Supermarkets offer more brands and their display and layout are better than Margin Free Markets. PSM offer quality services, parking facilities, etc than those of MFMs.
- T-test rejected the null hypothesis and substantiated that there exist a significant difference between two retail formats in the state from customers' perspective.

Conclusion

Organized retailing is vibrant and emerging sector in India, especially in all growing cities having population more than twenty thousand, which replaced all traditional retailers. Two classes of organized

retailers successfully function in Kerala, namely, Private Supermarkets and Margin Free Markets. Both types of the retailers are found different in their retail strategies. This was substantiated in the study by analyzing the customer responses. In the case of factors 'Assortment and Service' and 'Quality of Goods' Margin Free Markets have to move forward than Private Supermarkets. While the price levels of Private Supermarkets is found to be very high.

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