

## CUSTOMERS' PERCEPTION & SATISFACTION IN ORGANIZED RETAIL SECTOR IN INDIA

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### **ABSTRACT**

*Retailing, both as a consumer pastime and as an organizational activity, has changed significantly during recent years. It is one of the world's largest and most diverse industries. The Indian retail industry is no more nascent today. There has been a significant change in retail trading over the years, from small kiranawalas in the vicinity to big super markets; a transition is happening from the traditional retail sector to organized retailing. The unorganized sector still holds a dominant position in this industry. The organized segment holds just about 5% of the current US\$ 450 billion retail market, which is expected to reach about US \$ 900 billion by the middle of this decade. In the same phase there is marked change in the style of shopping as well. Considering the changing Demographics, Life style, Purchasing Power, More disposable income it becomes imperative for all the retail players that they have to know the customers in depth not only to attract but also to make their products taller made to the requirements of the customer and thereby increase their consumer base. Present study was conducted to help the retailers in understanding their customers better and help them in gaining competitive advantage, especially when foreign companies are eyeing India as huge potential market in organized retail sector. Extensive literature was studied to get insight into retail industry in different world economies to know the trends and behavior of consumer.*

### **Introduction**

Retailing in India is the single largest employment sector and contributes directly to the quality of life of its residents. It is also a key employer of part-time labour and those who have traditionally been drawn from the youth segment of the labour force. Retailing, both as a

consumer pastime and as an organizational activity, has changed significantly during recent years. It is one of the world's largest and most diverse industries. The Indian retail industry is an emerging one and competition is currently intensifying. 'Sales gain at the expense of others' is the name of the game. This means more "head-to-head" battles fought in local trade areas and over individual customer transactions. Competition comes from all directions - similar store types, deep price discounters, different types of retail stores and non-store retailers. The critical challenge becomes: how to take business away from the increasingly aggressive and menacing competition while protecting one's existing customer base. Today's consumers are better educated, more sensitive to price-value relationships, more discriminating, and more individualistic in tastes than any previous generation. Therefore, retailing is a necessary marketing tool with growing significance. The Indian retail industry is no more nascent today. There has been a significant change in retail trading over the years, from small kirana-walas in the vicinity to big super markets; a transition is happening from the traditional retail sector to organized retailing. The unorganized sector still holds a dominant position in this industry. The organized segment holds just about 5% of the current US\$ 450 billion retail market, which is expected to reach about US \$ 900 billion by the middle of this decade.

Despite the retail store density in India with regard to population being the largest, India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m<sup>2</sup>) in size. India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer. The unorganized retail shops typically offer no after-sales support or service. Finally, most transactions at unorganized retail shops are done with cash, with all sales being final. This is clearly indicative of small-shop ownership crowding the unorganized segment of retailing. While this fragmented market structure does pose significant challenges for organized retailing, potential does exist if modern information and supply chain management

systems are deployed to support the development of convenience shops that match customer expectations.

### **Objectives**

1. To study various tangible and intangible factors influencing the customer's attitudes regarding the store choice decisions.
2. To know the factors considered important while purchasing different products in organized retail outlets.

### **Selection of the Statements**

The choice of the statements depends upon the opinion of the competent persons for its suitability towards the study and the tests. A set of statements has been developed and evaluated by the sample respondents on the Likert Scale. This also helped in determining the content validity. Approximately 100 selected statement items were given to the panel of 25 judges' experts in the field of Marketing and Consumer Behaviour. The purpose was:

1. To strike off the redundant statements
2. To delete the ambiguous items, words or statements.
3. To suggest modifications (if any) or addition of new statements or items.

All the panel members were contacted personally and were given sufficient time to make their judgment on each statement item.

Research evidence proves that a relatively small number of judges can be entrusted to obtain reliable scale values for the statements Edward (1969).Rosander (1965) obtained independently from two groups of fifteen judges each a correlation as high as 0.99. Similarly UprBrock (1965) from the two groups of fifty judges each the correlation between two scales values were found of twenty judges is fully satisfied.

Secondary data regarding the emergence, of retail sector , major initiatives, challenges and opportunities in the organized retail sector was taken from various websites, books, journals,

magazines, news clippings etc. Data regarding various research papers to support research objectives was also taken from online web sources like proquest, emerald etc.

## **THE EVOLUTION OF RETAILING IN INDIA**

While barter would be considered to be the oldest form of retail trade, since independence, retail in India has evolved to support the unique needs of our country, given its size and complexity. Haats, Mandis, and Melas ha always been a part of the Indian landscape. They still continue to be present in most parts of the country and form an essential part of life and trade in various areas.

The PDS or Public Distribution System would easily emerge as the single largest retail chain existing in the country. The evolution of the public distribution of grains in India has its origin in the 'rationing' system introduced by the British during World War II. The system was started in 1939 in Bombay and subsequently extended to other cities and towns. By the year 1946, as many as 771 cities/towns were covered. The system was abolished post war; however, on attaining independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressure in the economy. The system, however, continued to remain an essentially urban oriented activity. In fact, towards the end of the first five-year plan (1956), the system was losing its relevance due to comfortable food grains availability. At this point in time, PDS was reintroduced and other essential commodities like sugar, cooking coal and kerosene oil were added to the commodity basket of PDS. The Canteen Store Department and Post Office in India are also among the largest network of outlets in the country, reaching populations across state boundaries. The Khadi & Village Industry Centers (KVIC) was also set up post independence. Today, there are more than 7000 KVIC stores across the country. The co-operative movement was again championed by the government, which set up the Kendriya Bhandars in 1963. Today, they operate a network of 112 stores and 42 fair price shops across the country. Mother Dairy, another early starter, controls as many as 250 stores, selling foods at attractive prices. In Maharashtra, Bombay Bazaar, which runs under the label Sahakari Bhandar and Apna Bazaars, runs a large chain of co-operative stores. In the past decade, the Indian market place has transformed dramatically. However, from the 1950's to the 1980's, investment in various industries was limited due to low purchasing power in the hands of the consumer and the government policies favoring the small-scale sector. Initial steps towards liberalization were taken in the period from 1985-90. It was at this time that

many restrictions on private companies were lifted, and in the 1990's, the Indian economy solely progressed from being state-led to becoming "market friendly".

While independent retail stores like Akbarally's, Vivek's and Nalli's have existed in India for a long time, the first attempt at organized retailing were noticed in the textiles sector. One of the pioneers in this field was Raymond's, which set up stores to retail fabric. It also developed a dealer network to retail fabric. These dealers sold a mix of fabrics of various textile companies. The Raymond's distribution network today comprises 20,000 retailers and over 256 exclusive showrooms in over 120 cities of the country. Other textile manufacturers who set up their own retail chains were Reliance- which set up Vimal showrooms and Garden Silk Mills, which set up Garden Vareli showrooms. It was but natural that with the growth of textile retail, readymade branded apparel could not be far behind and the next wave of organized retail in India saw the likes of Madura Garments, Arvind Mills, etc. set up showrooms for branded menswear.

With the success of the branded menswear stores the new age Departmental store arrived in India in the early nineties.

## **GLOBAL RETAILING INDUSTRY**

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to 'just-in-time' store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system.

## **GROWTH DRIVERS FOR ORGANIZED RETAIL INDUSTRY**

Now it is well known fact that organized retailing is buzz word in India. Organized retailing is spreading in every part of the country i.e. urban, semi-urban and rural area also. Here some reasons are discussed which are drivers of this growth of organized retail industry:

- Rising incomes and improvement in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes.
- Liberalization of the Indian economy.
- Increase in spending per capita income.
- Advent of dual income families also helps in the growth of organized retail industry.
- Shift in consumer demand to foreign brands like McDonalds, Sony and Panasonic etc.
- Consumer preference for shopping in new environs.

. The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets.

- About 47% of India's population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the organized retail industry in the country.

## **CHALLENGES & OPPURTUNITIES**

The challenges faced by the Indian organized retail industry are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer has undergone a major change. This has happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. He now wants to eat shop and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer.

The biggest challenge facing by the Indian organized retail industry is the lack of retail space. With real estate prices escalating due to increase in demand from the Indian organized retail industry, it is posing a challenge to its growth. With Indian retailers having to shell out more retail space it is effecting there overall profitability in retail.

Trained manpower shortage is a challenge facing by the organized retail industry in India. The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels. The Indian government has allowed 51% foreign direct investment (FDI) in the Indian retail sector to one brand shops only. This has made the entry of global retail giant to organized retail industry in Indian difficult. But the global retail giants like Tesco, Wal-Mart and Metro AG are entering the organized retail industry in India indirectly through franchisee agreement and cash and carry wholesale trading. This is a challenge being faced by Indian organized retail industry. Many Indian companies entering the Indian organized retailing like Reliance Industries Limited, Pantaloons, and Bharti Telecoms are facing stiff competition from these global retail giants. As a result discounting is becoming an accepted practice among these Indian companies.

### **RETAIL CUSTOMER SATISFACTION**

The concept of satisfaction can be divided into four categories. First, satisfaction is viewed as a cognitive concept to be rewarded for the consumer's payment (Howard and Sheth 1969). Secondly, it is regarded as an evaluation on the accord of prior expectation with alternatives of the selection (Czepiel and Rosenberg 1997; Hunt 1977; Engel and Blackwell 1982). Third, satisfaction is defined as an affective response after purchase (Westbrook and Reilly 1983; Tse and Wilton 1988; Spreng, Mackenzie and Olshavsky 1996). Fourth, consumer satisfaction demonstrates that satisfaction judgments are influenced by both emotional responses and cognitive disconfirmation. (Oliver 1993b; Oliver 1997).

The customer satisfaction research has been performed, based on two points of view. The first view is the transaction-specific customer satisfaction, which judges satisfaction by comparing the performance and expectation of each transaction. The second view is the cumulative customer satisfaction, which determines satisfaction by the comprehensive evaluation on the cumulative experience of the specific transaction (Anderson, Fornell & Lehmanri 1994). From these several points of view, customer satisfaction with a retail establishment may be viewed as an individual's emotional and cognitive reaction to his or her evaluation of the total set of experiences realized from patronizing the retailer. The varied customer experiences in connection with retail patronage may be usefully categorized into two broad types: (1) experiences related to consuming the products and services obtained

from retailer and (2) experiences related to being in the store itself and dealing with the organization (Westbrook 1981). Customers derive satisfaction both from the experiences in the store and use of each product and service purchased from the store. Thus, overall sentiment of satisfaction is composed of several evaluation items on their experiences. As for evaluating the former type experiences, the literature suggests that perceived service quality, perceived product quality and perceived product price are antecedents of customer satisfaction (Zeithami, Berry and Parasuraman, 1996). For the latter type, store environment and merchandising are regarded as components to measure retail satisfaction (Westbrook 1981). Thus it includes both consumers' perception of retail store characteristics and subjective evaluation of those characteristics, which is broader concept than store image. Previous research efforts have identified store characteristics which affect the store patronage (Hansen and Deutscher 1977-1978; Lindquist 1974-1975) suggested nine items as a store characteristics as follows: merchandising, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors and past transaction. Among these, product related considerations appeared to be the most important areas.

In this research, we define retail satisfaction as the comprehensive affective response on the cumulative experience from patronizing the retailer.

### **IMPLICATIONS FOR ORGANIZED RETAIL CHAINS**

- i. The majority of the respondents belong to younger generation so their needs should be taken in account while deciding marketing strategy. Younger age respondent's demand branded products at reasonable price. They also attract towards entertainment means so organized retail outlets are suggested to make sure the availability of branded product at reasonable price and arrange more and more entertainment means to pull a huge number of younger age respondents.
- ii. Organized Retail outlets can appeal to the female customers by offering more products geared especially towards women. They can provide a shopping experience that women are particularly attracted to. In this way organized retail chains can expand their customer base as the organized retail outlets have a large base of potential customers.
- iii. Availability of all necessarily goods under the same roof and 365x7\* service are the major effective variables that influence the customer's decision for shopping from

organized retail outlets, so organized retail chains should give proper emphasis on these variables. More extensive assortment ranging from fresh food products to electronic products should be offered. Timing of organized retail outlets should be extended as customers in this new age of economy like to either shop in the late hours or only on weekends and they expect their favorite organized retail outlets to be open during these time.

- iv. To improve the level of customer satisfaction organized retail outlets are suggested to provide their customers experimental goods which are according to n trend and a wide range of different variety and brands of goods according to their requirement.

## **CONCLUSION**

Retail industry is the largest industry in India, with an employment of around 8% and contributing to over 14% of the country's GDP, Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth US \$ 900 billion. During the last decade the field of retailing has experienced significant changes. Specialty and discount stores have been edging in department stores turf, with cost conscious and breadth-of-selection strategies. The total number of available of retailing establishment grew sharply during the same period. Organized retail segment has been growing at a blistering pace, exceeding all previous estimates. According to a study by Deloitte Haskins and Sells, organized retail has increased its share from 5 percent of total retail sales in 2006 to 8 percent in 2007. The fastest growing segments have been the wholesale cash and carry stores (150 percent) followed by supermarkets (100 percent) and hypermarkets (75-80 percent). Further, it estimates the organized segment to account for 25 percent of the total sales by 2011. The beneficiaries of the competition being customers, the organized retail players in today's environment are required to design and deploy customer-centric strategies not only to grab a share in the market but also to sustain in the market in the long run. The players have realized the importance of constant service delivery to the customers for long run sustainability. Customer relationship signifies identifying the needs of the customers and stretching out ways and means to satisfy them. This study provides some insights on factors that could be important in managing customer satisfaction. Availability of all necessarily goods under the same roof and 365x7\* service are the major effective variables that influence the customer's decision for shopping from organized retail outlets, so

organized retail chains should give proper emphasis on these variables. More extensive assortment ranging from fresh food products to electronic products should be offered. Timing of organized retail outlets should be extended as customers in this new age of economy like to either shop in the late hours or only on weekends and they expect their favorite organized retail outlets to be open during these time. Customers are concerned not only with the merchandise, physical surroundings, promotional schemes and personnel interaction but also with after sale services, entertainment and security arrangements. So, organized retail outlets need to enhance product quality and store convenience, and after sales services to improve customer satisfaction. Organized retail outlets must assure quality and availability of new products and attractive promotional schemes, sufficient security arrangements and to enhance customer satisfaction. Besides these variables customer care activities are becoming significant issue. To expand the customer base and customer loyalty, organized retail outlets should pay proper attention towards the same.

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