FACTORS AFFECTING COMPETITIVENESS OF ORGANISED RETAILERS IN FOOD AND GROCERY RETAILING

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Abstract

The Indian retail industry has emerged as one of the most attractive, fast-growing industries, which constitutes over 10 per cent of the country's Gross Domestic Product (GDP) and around eight per cent of the employment. The opportunities for organised retailers were particularly high in the Food and Grocery (F&G) retail.As far as F&G Retail in Coimbatore is concerned, it is unorganised, which poses challenge and competition to the corporate retailers to tap the market. Due to intense competition in the field of retailing, every retailer has to face stiff challenges, and success and survival largely depend upon retailers competitiveness. In this scenario, organised retailers need to be competitive, in order to survive in the market. Hence, this study focuses on factors affecting organisedretailers' competitiveness.

Keywords: Retail, Organised Retail, Food and Grocery, Competitiveness.

I. Introduction

The Indian F&G retail is the largest retail segment in terms of market share, and a most attractive segment in the world accounts for 69 per cent of the total revenue in the retail sector, followed by apparel segments (source: www.ibef.org). Indian retail sector is dominated by unorganised retailers, which consist of small, independent stores, owner-managed shops, and local Kirana stores which hold 91 per cent of the total retail market. A notable change in an economic scenario is in India's emergence of organised retail. The organised retail refers to the trading activities undertaken by licensed retailers who are registered themselves for sales tax, income tax, and so on. These include corporate-backed hypermarkets, retail chains, and large private businesses.

Organised F&G retailing was initially started in South India. However, unorganised retailers and local players dominate Retail in South India. Homely retail experience, the comfort of the native language along with familiarity with local culture and purchase preferences have been the driving forces for the growth of these retailers(source: www.franchise India.com). The growth of organised retail is much faster in South India especially in Tamil Nadu, where high-income households are growing faster. In Tamil Nadu, notably, Chennai has emerged as a center of organised retailing.In Chennai, nearly 20 per cent of foods sales are now accounted for a supermarket.Next to Chennai, Coimbatore is the emerging center for organised food retailing due to the operation of organised retail stores such as Big Bazaar, Megamart, Nilgiris and reputed Coimbatore-based stores, which has 28 outlets across cities such as Erode, Madurai, Salem, Pollachi, and Tirupur in the F&G segment. On a similar note, industry experts believe that the city would soon experience an entire gamut of retail development as people in Coimbatore is capable of enough disposable income due to their entrepreneurial nature and of late are equally becoming brand conscious and lifestyle aspirant as well (source: www.indiaretailing.com).

II. Review of Literature

Yang et al. (2011) in their study entitled 'Assessing Competitiveness of Foreign and Local Supermarket Chains in Vietnamese Market by using Fuzzy Method for Order Performance by Similarity to Idea Solution (TOPSIS) Method', assessed the competitivenessof foreign and local supermarket chains in Vietnam. For the purpose, fuzzy TOPSIS method was adopted, and it was found that the competitive price, merchandise quality, and friendliness of salespeople are the specific factors that determine competitiveness.

Fongkam (2015) in his article entitled 'Factors Affecting Traditional Retail Stores Competitiveness in Chiang Mai, Thailand' studied the way traditional retail stores in Chiang Mai operate the businesses and to find out what factors affecting traditional retail stores competitiveness. Data were collected from 400 retail store customers using random sampling and ten retail store owners by using purposive sampling. ANOVA, t-test, and multiple regressions were applied to the collected data to test the hypothesis. From this study, it was found that the majority of the customers prefer traditional retail stores in Chiang Mai due to the service of employees, characteristics of goods, location and layout of stores and arrangement of goods. This study concludes that the traditional retailers should develop specific strategies that could adequately meet the expectation of their customers.

Hoang et al. (2016)conducted a study on 'Factors Affecting Competitiveness of Vietnamese Online Sales Websites in Integrating Trans-Pacific Partnership (TPP): A Study in Vietnam', analysed the factors affecting the competitiveness of Vietnamese online sales websites. This research was carried out by collecting data from 800 online customers. Statistical tools such as Exploratory Factor Analysis (EFA), Multiple Linear Regressions, and ANOVA were applied to the collected data. From this study, it was found that level of competition, suppliers, the risk of substitution, buyers' power and entry barriers are the factors that influence the competitiveness of Vietnamese online sales websites.

Devgan and Kaur (2010)in their article entitled 'Shopping Malls inIndia: Factors Affecting Indian Customers' Perception', identified the factors affecting customers' perception. To attain the objectives, the responses were collected from 350 respondents through a convenience sampling method, and factor analysis was applied to the collected data. This study concludes that the success of the shopping malls would highly depend on the adaptability of the factors such as customerservice, better shopping experience, store environment, value-added services, and other factors included in this study.

Ramakrishnan (2010) in his article entitled 'The Competitive Response of Small, Independent Retailers to Organized Retail: Study in an Emerging Economy', aims to understand the competitive behaviour of small and independent retailers in response to the growing organised retail. Data required for this study was collected from 605 small and independent retailers by adopting a stratified random sampling method. Factor analysis was applied to analyse the data. The result of factor analysis reveals that product orientation, competitive sensitivity, price orientation, experience enhancement, and customer service orientation are the major factors derived from functional strategies. Two factors such as focused market position based on customer service and low cost are the factors derived from business strategies. This study concludes that adopting distinct retail functional and business strategies would create a positive impact on the performance of small and independent retailers.

Goel and Dewan (2011) in their research paper entitled 'Factors Affecting Consumer Preferences of Shopping at Organised Retail Stores in Punjab', focuses on the major attributes of the retail stores as perceived by the consumers of Punjab. Fifty organised retail stores were selected in five selected cities for data collection.From the selected outlets, 100 consumers were interviewed by adopting the systematic random sampling procedure in each of the selected urban cities of Punjab. From this study, it was found that availability and variety of products, service, ambiance, discount & price, quality of the product, and promotion are the six significant factors preferred by consumers.

Verma and Madan (2011) in an article entitled 'Factors Analyzing the Store Attributes to Identify Key Attributes of Store Image (A Study on some selected Apparel Stores in India)', try to understand the key store attributes that affect the perceived image of apparel stores. The systematic sampling method was used to select 345 respondents,15 each from 23 apparel stores in three cities. Frequencies, arithmetic averages, standard deviations, correlation, regression, One-way ANOVA, and Factor Analysis were used to analyse the data. From this study, it was found that the store's product and operational quality were the most significant factors in creating a high store image.

Pawar and Veer (2013) in their paper entitled 'Advantage India: A Study of Competitive Position of Organized Retail Industry', analysed the competitive position of India for investment in the retail sector, and to find out the global market opportunities of the Indian retail sector. The analytical, descriptive, and comparative methodology was carried out, and Michael Porter's National Diamond model was used to set the hypothesis. This study concludes that FDI in retail would improve the Indian economy at a faster rate and it would create favourable business opportunities for foreign retailers.

Sudame and Sivathanu (2013) in their article entitled 'Challenges Affecting the Organized Retail Sector', provides the current status of the retail sector inIndia, its challenges, opportunities, current trends and retail formats in India. For this study, data was collected from managers of a retail store by adopting a random sampling method. Findings reveal that escalating real estate prices, cultural diversity, fraud in retail, complex tax structure are the major challenges faced by the Indian retail sector. Further, this study reveals that a unique feature of the store promotion and Corporate Social Responsibility is the opportunities available for organised retailers. This study concludes that, though the retail sector faces tough challenges, it could be overcome by grabbing the available opportunities.

III. Statement of Problem

The Indian retail sector is highly fragmented with more than ninety per cent of its business being run by unorganised retailers. The organised retail sector in India is in a nascent stage, and it has been facing various challenges and issues, which anchors its fast-paced growth.

Among various segments of organised retail, F&G forms the backbone of the Indian retail sector. F&G retail constitutes 60-65 per cent of the total retail market in India, of which 15-20 per cent of organised retail, about 70 per cent of the unorganised retail and remaining by electronic retailers. Though organised sector is growing at a faster rate, traditional retailers would continue to dominate the market even in 2025 (India Food Report, 2016).

It is evident that Organised F&G retailers are facing heavy competitive response from traditional retailers. With the advent of competition, which revolves around Organised F&G retailers, the perception of the customer has also changed (Avinash, 2013). The competition faced by these Organised F&G retail businesses has led them in seeking a way to be profitable in differentiating themselves in their activities such as differentiating with another competitive format, marketing their product, capturing a new market, and retaining existing customers, and so on. In this scenario, finding the factors affecting competitiveness would help the retailers to compete effectively in the competitive environment.

IV. Objective of The Study
- To know the profile of the organised retail stores.
- To analyse the factors affecting the competitiveness of organised food and grocery retailers.

V. Research Methodology
This study aims to find the current scenario that prevails in F&G retailing in Coimbatore District is a factor affecting the competitiveness of organised food and grocery retailers in the Coimbatore district. Therefore, the research is 'Descriptive'. Probability sampling – The cluster sampling method was followed to determine the sample size of organised food and grocery stores. Of the total population of the stores in Coimbatore District, sample size determined comes to 441. Data required for the study was collected from the owner or person in the capacity of the Manager in the selected organised food and grocery retail stores through questionnaire. Out of 441 samples determined, 388 valid responses were reported in this study, and remaining unanswered responses were rejected.

VI. Findings and Discussons
After collecting from the owners or person in the capacity of managers at organised food and grocery retail stores, the reliability, and normality of the data was ensured.

Profile of the Store
Of the 388 stores organised food and grocery stores, 117 (30%) of the stores were established and run for 'Above15 years', majority 197 (50.8%) of the stores are initiated by 'Current Owners (Self)', Nearly to the majority 191 (49.2%) of the retailers choose the business on 'Entrepreureniual Spirit', Slightly more than the majority, 200 (50.5%) stores run under 'Sole Proprietorship' form of ownership. As far as initial capital investment is concerned, more than the majority 238 (61.3%) of the retailers' have invested 'Below Rs.10 lakhs', of which slightly more than the majority 199 (51.3%) of the retailers used 'Both Own and Borrowed capital'. Regarding ownership of the store building, the majority, 232 (59.8%) of the store building are 'Rented or Leased', of which 214 (55.2%) are functioning in '5000 to 10000 sq. ft.' area.

Factors Affecting Retailers Competitiveness
The result of this study is arrived by applying Cluster Analysis. Cluster analysis is a technique applied to segment the respondents into different groups (cluster) according to their similarities. Respondents in one cluster will have a similar opinion. However, they will differ entirely from respondents in another cluster. Cluster analysis deals with the process of assigning objects to groups so that similarity within and difference among groups is restored. Cluster analysis groups individuals into (groups) cluster so that individuals/objects in the same clusters are more similar to one another than they are to be individuals/objects in the other cluster.

In this research, the aim is to group the retailers by factors affecting their competitiveness. Therefore, cluster analysis is applied to the items considered for the factors affecting retailers' competitiveness.

Table 1 Agglomeration Schedule-Factors Affecting Retailers Competitiveness.

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears	Next Stage	Stage	Cluster Combined
	Cluster 1	Cluster 2			Cluster 1	Cluster 2	
1	1	4	258.000	0	0		3
2	5	6	392.000	0	0		4
3	1	3	468.000	1	0		6
4	5	10	546.000	2	0		6
5	7	8	604.000	0	0		9
6	1	5	643.000	3	4		7

7	1	2	837.500	6	0	8
8	1	9	891.714	7	0	9
9	1	7	920.250	8	5	0

Table 1 presents the agglomeration schedule for given data. The difference between third and fourth stage is high. Hence, it is decided to have three clusters.The three clusters are determined in Dendrogram 1.
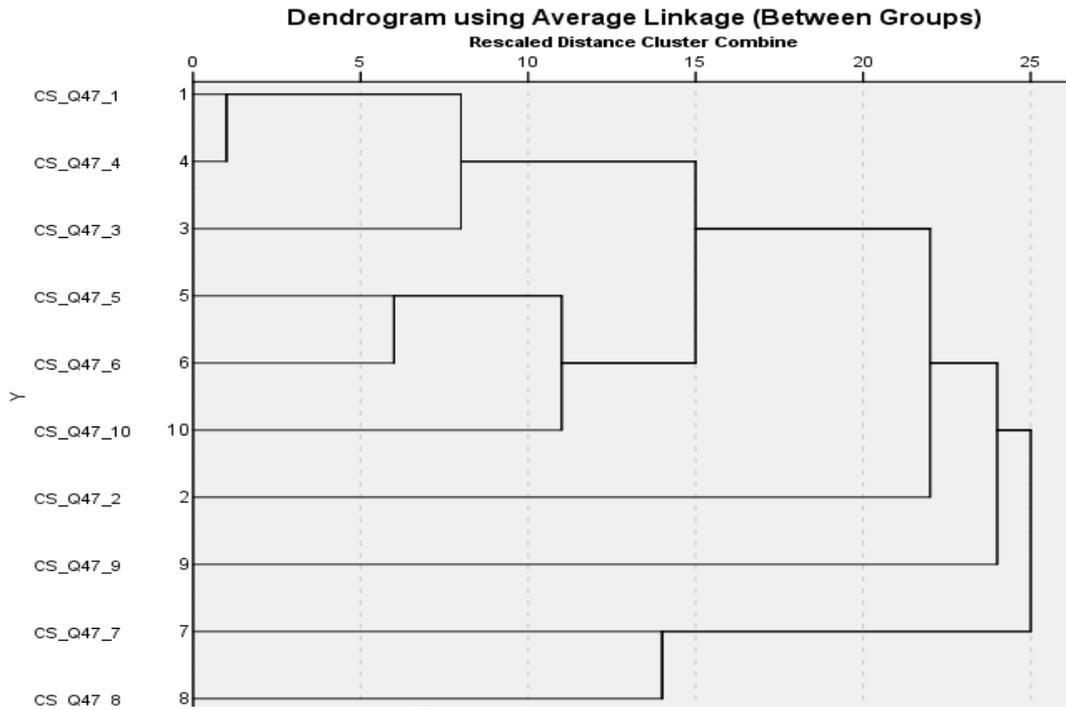

Figure 1: Dendrogram

From the Figure 1- Dendrogram, the following clusters are determined.

Table 2: Cluster Table

Cluster No.	Variables/Factors	Cluster Name
Cluster I	Location of the Store	Physical Aspects
	Store Ambience	
	Availability of Product	
ClusterII	Parking Facility	Price Offered and Customer Care
	Price of the Merchandise	
	Home Delivery	
	Personalised Attention	
Cluster III	Quality of Merchandise	Quality Policy and Promotional Offers
	Promotional Schemes	
	Mode of Payment	

Table 2 depicts Cluster determined from cluster analysis. The first cluster of the Organised F&G Retailers states that 'Physical Aspect' such as the location of the store, store ambiance and availability of product are the factors that affect retailers competitiveness.

The second cluster of retailers opines that 'Price offered and Customer Care' such as parking facility, the price of the merchandise, home delivery, and personalised attention are the factors that affect their competitiveness.

The final and the third cluster of retailers opine that 'Quality policy and promotional offers' such as quality of merchandise, promotional schemes and mode of payment are the factors that affect their competitiveness.

In Conclusion, the first cluster of retailers opines that 'Physical Aspects' of the store affect their competitiveness. The second opine that 'Price Offered and Customer Care' affects retailers' competitiveness. The third cluster of retailers responds that 'Quality Policy and Promotional Offers' are factors that affect retailers' competitiveness.

VII. Conclusion

Coimbatore has occupied a prominent place for the organised retailer in India. This descriptive study investigates the profile of Organised F&G stores and factors affecting competitiveness. By adopting cluster sampling techniques data was collected from the Organised F&G retailers. Cluster analysis was applied to derive the results of this study. The results of the study reveal that the availability of the product in the store, convenient location, and quality of the merchandise are the most important factors that affect retailers' competitiveness. Hence concentrating on these factors would be helpful to the organised food and grocery retailers to improve the operation of their stores, to be competitive in changing the retail world, and be able to understand the customers' satisfaction towards their service.

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