

CUSTOMER RETENTION STRATEGY OF ORGANISED RETAILERS IN FOOD AND GROCERY RETAILING

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ABSTRACT

Indian retail industry is one of the fastest-growing in the world. The retail industry is expected to reach Rs 76.87 lakh crore by 2020. India's retail sector is experiencing exponential growth with retail development taking place not just in major cities and metros, but also in tier II and III cities. Healthy economic growth, changing demographic profile, increasing disposable income, urbanisation, changing consumer tastes and preferences are some of the factors driving growth in the organised retail market in India. The opportunities for organised retailers were exceptionally high in 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 the success and survival largely depend upon customer satisfaction and retention. In this scenario, the retailers had to work on the strategies that attract the customers and which make them not to shift their choice towards competitors. Hence, this study focuses on customer retention strategies of organised retailers in food and grocery retailing.

Keywords: Retail, Organised Retail, Food and Grocery, Customer Retention.

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, and income tax. 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 centre 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 centre 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).

REVIEW OF THE LITERATURE

Gupta and Jain (2009) in their research work entitled ‘Customer Retention Strategies for Organised Retailers in Semi-Urban Markets’, examines the factors that influence customers to continue purchasing from organised retailers in semi-urban markets. These study findings reveal that loyalty incentives provided by the store were considered as an essential factor that influences the customer. Further, this study concludes that retailers by focusing on strategies that make the customer experience more convenient and could retain their customer for a more extended period.

Huda et al. (2011) in their study entitled ‘Marketing Strategies of Retail Stores: An Evaluation of Grocery Shops of Dhaka City’, identified the difference in grocery shop owners marketing strategy and behaviour with the difference in location or residential area. In order to fulfil the objectives, primary data was collected from 70 grocers by adopting a simple random sampling method. Chi-square test was applied to the collected data to test the hypothesis. This study finding reveals that selling branded products, better customer relation, credit sales, and promotion do not vary with the difference in location. Whereas, price fixation, measurement of quality and expressing the quality to the customers differ due to location changes.

Jhamb and Kiran (2012) conducted a study on ‘Emerging Trends of Organized Retailing in India: A Shared Vision of Consumers and Retailers Perspective’, to identify the product and store attributes that influence consumer purchase decision and marketing strategy adopted by retailers. The stratified random sampling method was adopted to determine the sample population. Data were collected from 62 retailers and 500 customers from major cities of Punjab. In this study, descriptive statistics, factor analysis and regression analysis were applied to analyse the data. The result of this study reveals that there is a significant relationship between modern retail format, its attributes, and changes in the preference of consumer and the marketing strategies of retailers. This study concludes that product and store attributes are essential factors that influence customers purchase decision. The strategies of retailers such as retention strategy, promotional strategy, image improvement strategy, pricing strategy and competitive strategy are the essential tools for improving the value of the retail business..

Khan et al. (2014) conducted a study on ‘An Empirical Study of Organised Retailing Strategies in Developing Customer Loyalty, Changing Purchase Decision and Developing Satisfaction in Consumer of Indian Sub-Continent’, to examine the consumer buying behaviour. Further, this study identified the factors influencing purchase decision and in finding the relationship between customer satisfaction and loyalty. The descriptive research design was followed to identify consumer behaviour. Data were collected randomly from 105 customers who visit the selected retail store. The descriptive statistics, one-way ANOVA, regression analysis was applied to the collected data. Findings reveal that demographic factors of customers such as age, income, occupation significantly influence the purchase decision. This study concludes that customer satisfaction highly depends on the quality of the product and service, and retailers could attain customer satisfaction by emphasising more on service and quality of products.

Magatef and Tomalieh (2015) in their study entitled ‘The Impact of Customer Loyalty Programs on Customer Retention’, focuses on understanding the importance of customer loyalty program on customer retention. In order to achieve the objective, a survey was conducted among 350 customers of Jordan by following random sampling method. This study concludes that the customer loyalty program has a significant effect on building and maintaining customer retention. The customer loyalty program such as tier system reward has a significant effect on customer retention, followed by a change upfront fee for benefits and point system. However, the non-monetary program had the weakest effect on customer retention.

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 the organised sector is growing at a faster rate, traditional retailers would continue to dominate the market even in 2025 (India Food Report, 2016).

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 considered by the retailers for customer retention would help the retailers to compete effectively in the competitive environment.

OBJECTIVE OF THE STUDY

- To know the profile of the organised food and grocery retail stores.
- To analyse the customer retention strategies of organised food and grocery retailers.

RESEARCH METHODOLOGY

This study aims to find the strategies adopted by 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 the questionnaire. Out of 441 samples determined, 388 valid responses were reported in this study, and remaining unanswered responses were rejected.

FINDINGS AND DISCUSSIONS

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 organised food and grocery stores taken for the study, 117 (30%) of the stores were established and run for 'over 15 years'. Majority 197 (50.8%) of the stores were initiated by 'Current Owners (Self)', Nearing to the majority 191 (49.2%) of the retailers choose the business on 'Entrepreneurial Spirit'. 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.

FACTOR ANALYSIS

Factor analysis aims to find a method of summarising the information contained in some original variables into a smaller set of new composite dimensions (factors) with minimum loss of information. Factor analysis identifies and defines the underlying dimensions (factors) that exist in the original variables selected for this study.

Factors Considered for Customer Retention

In this study, factor analysis is applied to find the underlying dimensions (factors) that exist in the 12 variables relating to the level of importance given by the retailers on the factors on customer retention.

KMO – Bartlett measure of sampling adequacy is an index used to test the appropriateness of the factor analysis. Table 1(a) shows KMO and Bartlett's Test. The KMO is 0.816. Chi-square statistics is significant (<0.05). This means the factor analysis is appropriate for this data.

Table 1(a): KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.816
Bartlett’s Test of Sphericity	Approx. Chi-Square	4747.558
	df	78
	Sig.	0.000

Table 1(b) describes the extraction communalities of the given variables. Extraction communalities are estimates of the variance in each variable accounted for by the components. The communalities are presented in Table 1(b) are all high, which indicates that the extracted components represent the variables as well.

Table 1(b): Extraction Communalities

	Initial	Extraction
Variety of Product	1.000	.802
Self-service Facility	1.000	.816
Credit Facility	1.000	.570
Parking Facility	1.000	.679
Rest Room	1.000	.674
Play Area for Kids	1.000	.710
Food Court	1.000	.751
Extended Shopping Hours	1.000	.580
Home Delivery	1.000	.715
Phone Order Facility	1.000	.710
Personalised Service	1.000	.706
Goods Return & Exchange Facility	1.000	.697

Table 1(c): Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.145	54.961	54.961	7.145	54.961	54.961	5.361	41.240	41.240
2	1.365	10.502	65.463	1.365	10.502	65.463	3.149	24.224	65.463
3	1.264	9.720	75.183						
4	.886	6.816	81.999						
5	.621	4.779	86.778						
6	.539	4.147	90.925						
7	.312	2.397	93.322						
8	.268	2.064	95.386						
9	.223	1.716	97.102						
10	.135	1.039	98.141						
11	.102	.783	98.925						
12	.095	.733	99.657						
13	.045	.343	100.000						

Table 1(c) describes the percentages of total variance contributed by the components. The percentage of total variance contributed by the first components is (54.961%); by the second component is (10.502%). Thus, there are entirely two components for the given set of variables.

Table 1(d): Rotated Component Matrix

	Component	
	1	2
Variety of Product	.840	.309
Personalised Service	.788	.293
Phone Order Facility	.787	.302
Home Delivery	.780	.327
Goods Exchange Facility	.766	.332
Parking Facility	.761	.316
Goods Return & Exchange Facility	.673	.357
Self-service Facility	.665	.612
Privileged Card	.316	.015
Food Court	.391	.773
Play Area for Kids	.352	.766
Rest Room	.336	.749
Credit Facility	.507	-.559

Table 1(d) rotated component matrix gives the variables belonging to each component. The maximum of each row (ignoring –ve sign) indicates that the respective variable belongs to the respective component.

Based on the rotated component matrix four factors and its underlying items are summarised in Table 1(e)

Table 1(e): Factors Extracted from Factor Analysis

F1	Variety of Product	Convenience and Product Assortment
	Personalised Service	
	Phone Order Facility	
	Home Delivery	
	Goods Return & Exchange Facility	
	Parking Facility	
	Extended Shopping Hours	
	Credit Facility	
F2	Self-service Facility	Recreational Facility and Basic Amenities
	Food Court	
	Play Area for Kids	
	Restroom	

Table 1(e) explores the factors extracted from factor analysis related to the level of importance given by the retailers towards customer service. By using principal component analysis, 12 variables were reduced to 2 under factor analysis model. Each factor was given a name, which was associated with the corresponding variables based on the values obtained from the rotated component matrix table. ‘Convenience and Variety of Product’ are the most important factors considered by retailers to retain their customers. The second factor considered by retailers to retain their customers is ‘Recreational Facility and Basic Amenities’.

In conclusion, ‘Convenience and Product Assortment’, ‘Recreational Facility and Essential Amenities’ are factors considered by the retailers for customer retention.

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 the retention strategies adopted by the retailers. By adopting multi-stage cluster sampling techniques data was collected from the Organised F&G retailers. Statistical tools such as percentage analysis and factor analysis are applied to derive the results of this study. The result of the study reveals that ‘Convenience and Variety of Product’ and ‘Recreational Facility and Basic Amenities’ are strategies adopted by the retailers to retain their customers. Organised retailers can increase customer retention by focusing their strategies in making the customer experience more valuable and convenient. From this study, it is concluded that it is need of time that retailer must use flexibility in terms of customer retention strategies and modify them with changing circumstances and conditions of organised retailers to meet the challenges of the competitive environment.

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