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Role of Price and Variety in Success of Organised Retail in Jharkhand-An Empirical Study

ABSTRACT

Retailing is the process of selling directly to customers. Retailing delivers the convenience to customers by offering them the products in quantities demanded by them. The retail sector is gaining momentum globally as one of the largest sectors worldwide. Retailing has been an important part of our life since generations as shopkeepers or customers. India is known as a nation of small shops but a dynamic change could also be witnessed in the retail sector of India since the last decade. The modern formats of retailing has revolutionised the Indian retail sector in such a way that the preferences of customers in India are shifting away from traditional retailing to organised retailing This change in retail scenario in India could be attributed to the changing lifestyle and rapid urbanisation further powered by the application of technology.

In the past few years, there has been a constant flow of organized sector players entering or expanding their presence in Indian retail market. Jharkhand witnessed the entry of some of the retail chains like- Spencer, Reliance, Big Bazaar and Vishal Megamart. Most of these started with multiple numbers of outlets but all of them could not sustain. Complete closure of Spencer in Jharkhand was very surprising and alarming. Failure of Vishal Megamart twice in Dhanbad again alarmed the multibrand retailers. It signifies that mere opening of the stores would not lead to a bright future rather it is necessary for the organised retailers need to move with the changing market situations.

Although Jharkhand is one of the less developed state an important change in the mindset of consumers is quite visible. So it would be quite interesting to study these changing patterns in retailing. The presence of few players in the state also signifies a high potential for organised retailers in the state of Jharkhand. This study tries to examine the role and importance of price and variety in the success of organised retail in Jharkhand. Four sub elements have been considered in the study. These sub elements are- I save money in bulk purchases, buying goods is cheaper here, more options and products and better assortments of products.

INTRODUCTION

Retailing is the process of selling directly to customers. Retailing delivers the convenience to customers by offering them the products in quantities demanded by them. The retail sector is gaining momentum globally as one of the largest sectors worldwide. Retailing has been an important part of our life since generations as shopkeepers or customers. India is known as a nation of small shops but a dynamic change could also be witnessed in the retail sector of India since the last decade. The modern formats of retailing has revolutionised the Indian retail sector in such a way that the preferences of customers in India are shifting away from traditional retailing to organised retailing This change in retail scenario in India could be attributed to the changing lifestyle and rapid urbanisation further powered by the application of technology.

Customers today are wishing for comfort and frictionless shopping experience in their purchases apart from product features and offers. Multibrand organised retailers are nicely taking care about the demands of customers in a distinctive and attractive way by providing all of them under a single roof. Facilities like comfort, variety in products, pleasant ambience, food courts, parking, etc. are all provided under a single roof. Application of technology has also helped them in informing customers and delighting them through various offers. The traditional retailers are unable

to compete with them on these fronts due to their limited resources, experience and lack of corporate touch. This is driving the shift of Indian customers towards organised retail.

As per the Global Retail Development Index 2012 report released by AT Kearney India ranks fifth in world and second in Asia after China. Published every year since 2002 the Index ranks the top 30 developing countries for global retail expansion. It indicates that India still tempts the global retailers as an attractive destination. As per the report the BRIC nations of Brazil, Russia, India, and China – still remain the favourite destination for the international retailers. These markets show positive signs of growth, many smaller, untapped markets are also providing new growth opportunities.

The accelerated growth in the developing countries and an anemic growth in the European and North American markets are the prime reasons which are compelling the global retailers to go for their strategic expansion in these developing markets. Michael Moriarty, A.T. Kearney partner and study co-leader comments that "In the past five years, U.S.-based Wal-Mart, France-based Carrefour, U.K.-based Tesco and Germany-based Metro Group saw their revenues in developing countries grow 2.5 times faster than their home markets."

A GDP growth rate of 6 to 7 percent, the changing lifestyles and rapid urbanisation powered by the increasing disposable income is making India a high potential market. An accelerated retail market growth of 15 to 20 percent is forecasted over the next five years in India is very inviting for international retailers. The positive effort towards FDI shown by the government has made the climate attractive and encouraging for the global retailers. The present share of organised retail in India is just 5 to 6 percent which indicates a room for high growth in future for organised players.

In the past few years there has been a constant flow of organized sector players entering or expanding their presence in Indian retail market. Jharkhand witnessed the entry of some of the retail chains like- Spencer, Reliance, Big Bazaar and Vishal Megamart. Most of these started with multiple numbers of outlets but all of them could not sustain. Complete closure of Spencer in Jharkhand was very surprising and alarming. Failure of Vishal Megamart twice in Dhanbad again alarmed the multibrand retailers. It signifies that mere opening of the stores would not lead to a bright future rather it is necessary for the organised retailers need to move with the changing market situations.

Although Jharkhand is one of the less developed state an important change in the mindset of consumers is quite visible. So it would be quite interesting to study these changing patterns in retailing. The presence of few players in the state also signifies a high potential for organised retailers in the state of Jharkhand. This study tries to examine the role and importance of two major factors 'price' and 'variety' in the success of organised retail in Jharkhand. Four sub elements have been considered in the study. These sub elements for price are - I save money in bulk purchases, buying goods is cheaper here and for variety are - more options and better assortments of products.

We would first examine in general the major factors which we feel are important for the success of organised retail.

Brand Image: More customers have been attracted because of the entry of big business houses and international retailers in the retail sector who already enjoy a positive brand image. There has been a feeling of getting better or reasonable quality among the customers in the organised outlets. Customers feel that they receive equal treatment and are also confident of not getting cheated at these stores which they feel sometimes at the traditional stores. The brand power which the organised retailers enjoy has helped them in getting more and more customers.

Service: Services are an important feature which affects the choice of the stores by customers. Organised players have used them in the right way to differentiate themselves from the unorganised retailers. Application of technology has helped them in making their services different. Technology has also supported them in delivering their services faster. Fast billing procedures, informing customers in advance, etc. have added value in their service basket. These services have increased comfort and ease in the shopping of customers finally resulting in satisfied customers and increased business.

Convenience: The changing lifestyles and increasing sophistication in the shopping of Indian customers have increased the role of convenience as an important attribute affecting the sales of retail stores. Convenient timings, prominent locations, proper parking facility, pleasant environment, etc. provided by the organised retailers has made shopping comfortable and frictionless. This convenience has been appreciated by the customers and is leading to a broader customer base.

Payment Options: The option of paying in cash or through cards is generally not available at the traditional retail outlets but is readily available with organised retailers. It has added safety and convenience for the customers. Organised retailers are very much benefited by the increase in impulse purchases due to this option. This has indirectly increased the share of organised retail as it has encouraged unplanned purchases.

Infrastructure: The better and attractive infrastructure at the organised retail outlets has pulled the Indian consumers to their stores. Big stores, shopper friendly store design, attractive displays, pleasant ambience, shopping bags and trolleys, etc. has attracted customers towards the stores automatically. The infrastructure has been very distinctive compared to the traditional retailers which have led to a hassle free shopping for the customers and increased business for the organised retailers.

Promotions: The ability to advertise in newspapers, radio, television or through other ways generally lacks with the unorganised retailers. The unorganised players lack the budget and skills of how and where to advertise. Organised retailers have given attractive offers and well communicated them to the customers well in advance to cash its benefits. The role of internet and mobile is increasing in communicating the offers and has helped in enhancing the number of customers and increasing their satisfaction level.

Price: India being a price sensitive market it is one of the prime factors leading to the success of any type of business in India. The same holds the key for success in the Indian retail market also. They are generally offering the products at prices below MRP (Maximum Retail Price) which unorganised players do not offer. Due to their large scale operations they have achieved economies of scale which have been very helpful for them in offering attractive prices to customers. Organised retailers have used it very well for attracting and retaining customers.

Variety: For the organised retailers it has acted as a strong area for differentiating their offering compared to the traditional retailers. The variety offered is quite large and attractively displayed in the organised retail outlets. In addition to these the availability of products in various quantities and sizes has made it a preferred destination for customers. Customers looking to buy groceries in small quantities also land up here regularly to fulfil their requirements. The depth in their assortment of products has pulled the customers in their stores and has led to increased customer base. It is promising a bright and successful future for them.

LITERATURE REVIEW

We can come across a number of studies which highlight the role of price and variety as important drivers for success in organised retail. Researchers from the various parts

Table 1

Statements	Strongly Agree	Agree	Not Known	Disagree	Strongly Disagree
Buying Goods is cheaper here	9.5%	63%	6.2%	20.3%	1%
I save money in bulk purchases	26.4%	50.7%	6.6%	15.9%	0.4%
More options	42.1%	47.8%	3.1%	6.8%	0.2%
Better assortment of products	35.9%	57.9%	2%	4.2%	0%

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Buying goods is cheaper	465	1.00	5.00	3.5828	.96161
I save money in bulk purchases	465	1.00	5.00	3.8602	.99775
More Options	465	1.00	5.00	4.2538	.83053
Better Assortment of Products	465	2.00	5.00	4.2538	.69799
Valid N (listwise)	465				

Table 3 KMO and Bartlett's Test

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.506
Bartlett's Test of Sphericity	Approx. Chi-Square	124.073
	df	6
	Sig.	.000

KMO Measure of Sampling Adequacy: As the KMO test value is 0.506 which is more than 0.5 it indicates that we can go for factor analysis.

Bartlett's Test of Sphericity: Since the Chi-Square value is higher, i.e. – 124.073 and significance level is 0.000 it means we can definitely go for factor analysis.

Table 4 Communalities

	Initial	Extraction
Buying goods is cheaper	1.000	.723
I save money in bulk purchases	1.000	.697
More Options	1.000	.629
Better Assortment of Products	1.000	.636

Extraction Method: Principal Component Analysis.

Figure 1: Scree Plot
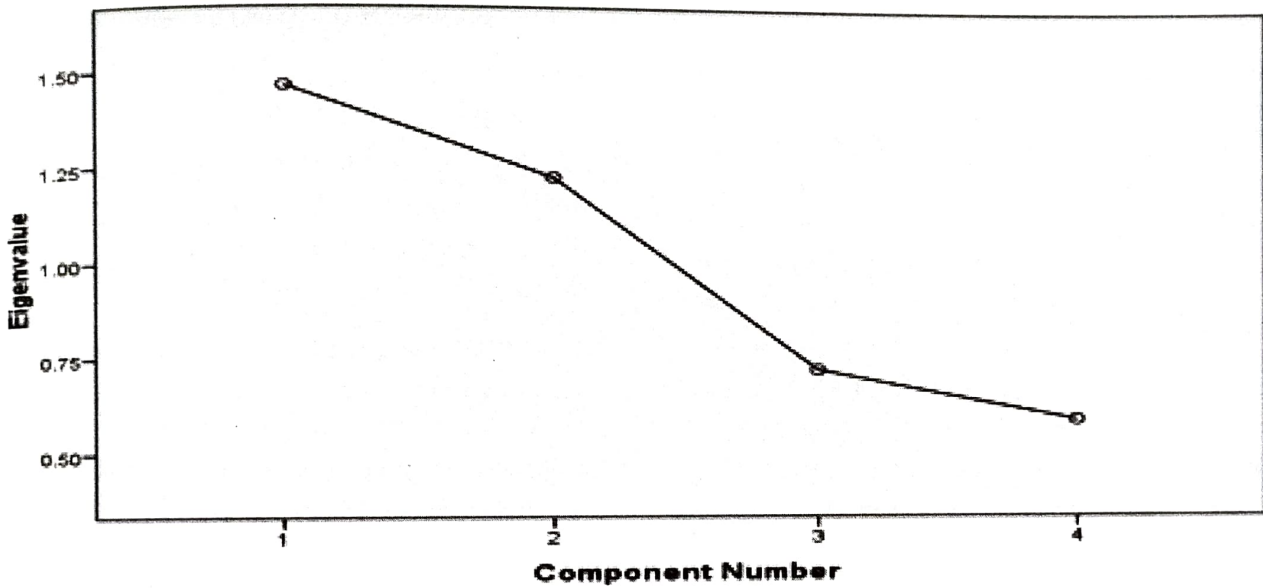
Table 5 Rotated Component Matrix[a]

	Component	
	1	2
Buying goods is cheaper	.842	
I save money in bulk purchases	.810	
More Options		.784
Better Assortment of Products		.796

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 6 Total Variance Explained

Initial Eigen values			Extraction Sums of Squared Loadings		
Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.463	36.580	36.580	1.463	36.580	36.580
1.223	30.582	67.161	1.223	30.582	67.161
.722	18.054	85.215			
.591	14.785	100.000			

Extraction Method: Principal Component Analysis.

Total Variance |Explained: The above table shows that two factors are extractable from the analysis along with Eigen value of 1.463 and 1.223. Percentage of variance for the factors is 36.580 and 30.582. It indicates that two factors have been extracted for the four statements.

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