

Operational Competiveness of Retail Industries: A Case Study in Odisha

¹Ritwik Anand, ²Aishwarya Dash, ³Dr. Sushanta Tripathy, ⁴Trupti Ranjan Mahapatra

¹School of Management Studies, IGNOU, KIIT Study Center, Bhubaneswar, India

²Dept. of Mechanical Engineering, CET, Bhubaneswar, Odisha, India

^{3,4}School of Mechanical Engineering, KIIT University, Bhubaneswar, Odisha, India

Abstract

This paper provides detailed information about the growth of retailing industry in Odisha, a state located in the eastern coast of India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in the state and the significant growth the urban and semi-urban retail markets are witnessing. In Odisha the vast middle class and its almost untapped retail industry are the key attractive forces for retail giants wanting to enter into newer markets, which in turn will help the Odisha Retail Industry to grow faster. The paper includes growth and recent trends of retail sector in Odisha, strategies, strength, opportunities and challenges of retail stores in Odisha. This paper concludes with the likely impact of various retail players into the Odisha retailing industry. It outlines the various major factors affecting the retail market of Odisha. Based on the literature survey the present paper investigates five strong pillars (product features, Revenue Generations, behavioral pattern, pricing policy and customer centric). The Interpretive Structural Model (ISM) has been developed after the Nominal Group Technique (NGT) by brainstorming session to determine the complex relationship among the different selected factors. These factors help to discuss service competition and the challenges retail sector faces in order to stay competitive.

Keywords

Retail Sector, Locational Factors, Pricing policy, Customer centric, NGT, ISM.

I. Introduction

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry. Today, the largest firm is not a manufacturing organization; rather it is a retail firm i.e.

WAL-MART. India too has been witnessing a retailing revolution since 1441, when the first organized and contemporary retail store chain Shopper's Stop was started in Mumbai. Today, India has 12 million retail outlets but organized retailing accounts for only 2% of the business. Faced with competition, today, these store no more look warehouses. Retail stores, today organize their merchandise, display new products, run localized promotions, offer loyalty bonus to frequent shoppers, even take orders on phone and deliver at the customer's home at no additional cost. They have also adopted new technologies. Some of them use bar codes, accept credit or debit card for payments, maintain computerized stock registers which help them to monitor product category and brand movement. The changing socio-economic profile of the Indian market, intensive competition, and continuous developments in information and communication technology are the significant root causes for the boom in the organized retailing. Today the Indian customers have more disposable income, is upwardly mobile, more informed and has access to multiple television channels and Internet at home. Technology enables him to shop directly from home either through Internet or telephone or cell phone. Customers enjoy loyalty schemes offered by retailers. Based on the importance of retail stores the objectives of the paper are: 1) to determine the critical factors affecting retail sectors and 2) to develop a structure of interrelationship among the critical success factors using ISM.

II. Literature Review

Retail Sector is affected by many factors that should be taken into consideration to survive, lead and perform better in this competitive era of market oriented retailers. From various literature reviews various vivid critical factors were found out that affects the performance of the retail market. "The merchandising factors affecting the sharing of customers between stores through a pairwise analysis of their assortment overlap, price differentiation, and inter-store distance. Retailers in a competitive environment have at their disposal a variety of marketing variables as competitive tools; important among these are location, price, and assortment. There are pressures on each retailer to carry the items with the largest market shares but, at the same time, incentives to carry unique items" (Stassen et. al. 1999). Data was collected to determine if sales performance increased due to intervention or change in attitude and behavior. Performance and feedback is important in focusing and directing attention and effort (Welsh et. al. 1993). Customer delight and customer perceived value are linked to memorable and favorable customer experiences (Pine and Gillmor 1999; Johnson and Gustafson 2000). Paying bills, investing and shopping online from home are increasingly common ways to cope with the growing complexity of our lives. These examples illustrate that services are becoming more technological in their nature, which is sometimes referred to as technology infusion in services. Self-service technology enables customers to produce

and perform a service independently, without any direct interaction with a firm's employees (Edwardsson et. al. 2000). Services are the major source of economic growth, accounting for more than half of India's output. (Jones David, 2007)

III. Critical Factors

A. Product Features

1 Brands and Flavors

Retail markets traditionally focus on Consumer's global taste. After going through a series of surveys done on various literature reviews we found that Brands and Flavors is an effective factor influencing the retail sector.

2. Uniqueness

A retail sector entering India cannot have just one game plan to apply to the entire country as the people, their tastes, the lifestyle, the budget etc. as they are all too divergent. Thus, retail market can be evaluated on how well they generate uniqueness in their products.

3. Quality of the Product

Quality is one of the most critical factors in making Retail Market successful. Maintaining quality is one of the major factors that should be taken into consideration for attracting various customer segments.

4. Regular Replenishment of Products

Quantity is another important factor. Continuous refilling of products is very essential to maintain regularity in services.

B. Revenue Generations

1. Location of the Retail Store

Retail stores traditionally started operations in cities where there has been an existing base of metropolitan consumers with ready cash and global tastes. Thus, location and business at retail markets are needed in equal proportion.

2. Market Space and Floor Area

As in retail markets we find various types and varieties of product under one roof it needs a larger and spacious floor area and also very wide parking lot. It is estimated that India's present two square-feet per capita retailing space which would rise by 15-20% by 2010. Thus, maintaining a spacious and well planned architecture is equally important as to maintain quality and quantity.

3. Inter-store Distance

As today's market is more of a dynamic market it is very tough to find hard core loyal customers. The target customers prefer switching over retail shops where they find either their service or goods better. Thus, finding two or more retail markets nearby can be a major threat to the retail marketers.

4. Multi Storey/One Time Search

In today's urbanized world, time is money. People prefer shopping in retail shops instead of opting for different markets for different products. It may so happen that the quality of the product gets affected when we get various varieties of product under one roof.

5. Top Management Vision

It is very important that vision and the strategic directions is clearly defined and communicated in the organization by the top management.

C. Behavioral Pattern

1. Understanding Customer Needs and Problems

Customer is the key to commercial success in consumer oriented marketing. To survive, a retailer must understand the problems and needs of the customers who use their products and services and use that information to create a competitive advantage. Thus, understanding customer's needs and problems may help them out to become a good competitor.

2. Customer Knowledge

The retailers should have a constant and frequent check of what the customer needs, customer's present demand and the trends followed by them i.e. they should have a check on customer's knowledge and the probability of their using the services and products.

3. Favorable Customer Experience

Experience sharing of customers is an entry ticket for a company to start to compete. The retailers should have an idea about what percentage of nascent customers they get which they get due to the influence of their old and loyal customers or due to any of their promotional activities.

4. Store Loyalty

The target customer can be segmented into hard core loyal, shifters and nascent customer. Special attention and benefits should be provided to the loyal customers. Thus, a good CRM should be maintained with the customers to retain them.

5. Behavior and Attitude towards Customers

Personal care and assistance is an important criterion for the customers. So the marketer is supposed to have good and neat behavior and attitude towards its customers.

D. Pricing Policy

1. Price

Retail stores usually apply various pricing strategies like discounts on products on the printed MRP retailers are interested in offering the best or optimal assortment of goods and services to attract customers

2. Price Differentiation

Retailers in a competitive environment have a variety of marketing variables and strategies as competitive tools. Optimal pricing and price difference of products at different stores brings a difference in the decision making of the customers.

E. Customer Centric

1. Feedback System

Response and feedback are essential part of marketing strategies and development processes. Internet is an excellent tool for involving customers and enabling companies to have easy and direct access to almost anyone in the world and know customer's views and ideas.

2. Entertainment Factors

Busy schedule demands recreation and entertainment. Musical bands and fun area for kids usually catch interest of the customers.

3. Additional Customer Services

Usually a customer looks out for something different. If a retail store is providing additional customer services like discounts, home-delivery, gift coupons and free gift hampers then the store automatically attracts customer's attention.

4. Online-Shopping Facility

In today's world time is very precious. Lack of time makes life complicated and hectic. Paying bills, investing and shopping online from home are increasingly common ways to cope with the growing complexities of our lives.

IV. Major Retail Players in Odisha

A. Big Bazaar

Though, Big Bazaar was started purely as a fashion format including apparel, cosmetics, accessory and general merchandise, the first Food Bazaar format was added as Shop-In-Shop within Big Bazaar in the year 2002. Today, Big Bazaar, with its wide range of products and service offering, reflects the aspirations of millions of Indians. "Since the beginning, we have kept Big Bazaar as a soft brand, which reflects the true Indian value," says Rajan Malhotra, president, strategy and convergence, and Big Bazaar's first employee since early 2001. "We believed in growing with society, participating and celebrating all regional and local community festivals and giving customers preferences above everything else." Future Group plans to have 300 stores and has projected revenues of Rs 13,000 crore by 2011. Pantaloon retail, part of the Future Group, plans to open four more Big Bazaar stores in Orissa. These stores will be located in cities like Berhampur, Puri, Rourkela and Cuttack within the next one to two years, said Raj Banerjee, Area manager (East) Pantaloon retail. Addressing the media at the launch of the second store of BIG Bazaar at Maruti Mall (Patia), Banerjee said, this store was the 50th store of the company. In order to strengthen the retail presence in Orissa the company had signed to open stores at more places. While Berhampur and Puri (Major cities in Odisha) stores are expected to be opened within one year, Rourkela store is likely to come up within two years. It will provide a new level of standard in price, convenience comfort, quality, quantity and store service level. Currently, the company has stores in 32 cities across the country, covering more than four million square feet of retail space.

B. Pantaloons

The organized retail industry in India did not evolve till the early 1440s. Until then, the industry was dominated by the un-organized sector. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing. This allowed the un-organized sector to rule the Indian retailing industry. It was during this time that the foundation of PRIL was laid by Biyani. Biyani was a commerce graduate with a post-graduate diploma in marketing. After spending five years in managing his family business of trading textile and yarn, he started with apparel manufacturing in the mid-1480s. In June 2004, Pantaloons Retail India Limited, (PRIL), a leading retailing group in India, opened its first Central Mall, "Bangalore Central," in the garden city of Bangalore, the

capital of Karnataka." Bangalore Central" followed the Selfridges Model that aimed at redefining and revolutionizing the paradigm of lifestyle retailing in India. The mall was a result of PRIL's desire to set up a shopping centre with world-class TOP MANAGEMENT VISION, which represents the spirit of modern affluent society. With 'shop, eat and celebrate' as its theme and tagline, "Bangalore Central" was aimed at making shopping a leisure activity, where customers can eat, relax and enjoy themselves as well.

This five-floor mall holds 300 brands of products for men, women, youngsters and children, along with playing host to beauty parlors, food joints and recreation facilities. It sells almost everything from basics to the extravagant, from apparel to white goods, from home furnishing to groceries. The tremendous success of the 'Pantaloons,' 'Big Bazaar' and 'Food Bazaar' retailing formats, easily made PRIL, the No 1 retailer in India by the early 2004, in terms of turnover and retail area occupied by its outlets.

C. Reliance Fresh

With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), was set up to lead Reliance Group's foray into organized retail. With a 27% share of world GDP, retail is a significant contributor to overall economic activity across the world. Of this, organized retailing contribution is in between 20% to 55% in various developing markets. The Indian retail industry is pegged at \$ 300 billion and growing at over 13% per year. Of this, presently, organized retailing is about 5%. This is expected to grow to 10% by 2011. RRL has embarked upon an implementation plan to build state-of-the-art retail infrastructure in India, which includes a multi-format store strategy of opening neighborhood convenience stores, hypermarkets, and specialty and wholesale stores across India. RRL launched its first store in November 2006 through its convenience store format 'Reliance Fresh'. Since then RRL has rapidly grown to operate 540 stores across 13 states at the end of FY 2007-08. RRL launched its first 'Reliance Digital' store in April 2007 and its first and India's largest hypermarket 'Reliance Mart' in Ahmadabad in August 2007. This year, RRL has also launched its first few specialty stores for apparel (Reliance Trends), footwear (Reliance Footprints), jeweler (Reliance Jewels), books, music and other lifestyle products (Reliance Timeout), auto accessories and service format (Reliance AutoZone) and also an initiative in the health and wellness business through 'Reliance Wellness'. In each of these store formats, RRL is offering a unique set of products and services at a value price point that has not been available so far to the Indian consumer. Overall, RRL is well positioned to rapidly expand its existing network of 540 stores that operate in 57 cities.

D. Vishal Megamart

What started as a humble one store enterprise in 1486 in Kolkata (erstwhile, Calcutta) is today a conglomerate encompassing 183 showrooms in 110 cities / 24 states. India's first hyper-market has also been opened for the Indian consumer by Vishal. Situated in the national capital Delhi this store boasts of the single largest collection of goods and commodities sold under one roof in India. The group had a turnover of Rs. 1463.12 million for fiscal 2005, under the dynamic leadership of Mr. Ram Chandra Agarwal. The group had a turnover of Rs. 2884.43 million for fiscal 2006 and Rs. 6026.53 million for fiscal 2007. The group's prime focus is on retailing. The Vishal stores offer affordable family fashion at prices to suit every pocket. The group's philosophy is integration and towards this end has initiated backward integration in the field of

high fashion by setting up a state of the art manufacturing facility to support its retail endeavors. Vishal is one of fastest growing retailing groups in India. Its outlets cater to almost all price ranges. The showrooms have over 70,000 products range which fulfills all your household needs, and can be catered to less than one roof. It is covering about 24, 40, 146 sq. ft. in 24 states across India. Such store gives you international quality goods and prices hard to match. The cost benefit that is derived from the large central purchase of goods and services is passed on to the consumer.

V. Nominal Grouping Technique (NGT)

Brainstorming has arguably become the most widely known and used term associated with creativity and creative problem solving (Isaksen and Gaulin, 2005)A brainstorming session has been conducted with seventeen participants, eleven senior managers from retail sectors and six from academia. The brainstorming session consisted of a prioritizing exercise, where each participant anonymously selected ten factors from the given survey questionnaire of 20 statements that they felt were the most important factors affecting retail sectors .The ranks for each of the selected responses were summed across participants to derive a group level result (Table 1) in ordinal scale.

Table 1 Responses from Brainstorming

Serial No.	Factors	No of Votes	Ranking
1	Brand and flavors	18	3
2	Uniqueness	7	8
3	Maintaining quality	17	4
4	Regular replenishment	5	12
5	Revenue generation	20	2
6	Market space and floor area	5	13
7	Inter-store distance	1	20
8	Multi-storey/one-time search	1	19
9	Top management vision	8	7
10	Understanding customer needs and problems	14	6
11	Customer knowledge	4	16
12	Favorable customer experience	3	17
13	Store loyalty	6	11
14	Behavior and attitude towards customers	21	1
15	Price	7	9
16	Price differentiation	16	5
17	Feedback system	6	10
18	Entertainment factors	4	15
19	Additional customer services	5	14
20	Online shopping	2	18
	Total	170	

The ISM methodology consists of the following important steps:

1. Development of structural self-interaction matrix (SSIM);
2. Construction of reachability matrix;
3. Carrying out level partitions;
4. Obtaining classification of factors; and
5. Formation of ISM.

Here, a contextual relationship of “leads to” is chosen. For developing contextual relationships among variables, the opinion

of total seven experts, five from industry and two from academia, have been taken. For expressing the relationship between different critical factors for the performance of retail sectors, four symbols have been used to denote the direction of relationship between the parameters i and j (here i, j):

1. V – parameter i will lead to parameter j;
2. A – parameter j will lead to parameter I;
3. X – parameters i and j will lead to each other; and
4. O – parameters i and j are unrelated. Finally SSIM has been formed (Table-1).

Table 2: Structural Self Interaction Matrix

Critical Success Factors	Factor No	9	14	10	1	16	2	15	3	5
Top Management Vision	9		V	V	V	V	V	V	V	V
Behavior and attitude towards customers	14			X	V	V	V	V	V	V
Understanding customer needs and problems	10				V	V	V	V	V	V
Brand and flavors	1					X	X	X	V	V
Price differentiation	16						X	X	V	V
Uniqueness	2							X	V	V
Price	15								V	V
Maintaining quality	3									V
Revenue generation	5									

Table 3: Reachability Matrix

Factor No	9	14	10	1	16	2	15	3	5
9	1	1	1	1	1	1	1	1	1
14	0	1	1	1	1	1	1	1	1
10	0	1	1	1	1	1	1	1	1
1	0	0	0	1	1	1	1	1	1
16	0	0	0	1	1	1	1	1	1
2	0	0	0	1	1	1	1	1	1
15	0	0	0	1	1	1	1	1	1
3	0	0	0	0	0	0	0	1	1
5	0	0	0	0	0	0	0	0	1

The SSIM has been converted into a binary matrix, called the reachability matrix by substituting V, A, X and O by 1 and 0. The substitution of 1s and 0s are as per the following rules:

1. If the (i, j) entry in the SSIM is V, the (i, j) entry in the reachability matrix becomes 1 and the (j, i) entry becomes 0.
2. If the (i, j) entry in the SSIM is A, the (i, j) entry in the reachability matrix becomes 0 and the (j, i) entry becomes 1.

3. If the (i, j) entry in the SSIM is X, the (i, j) entry in the reachability matrix becomes 1 and the (j, i) entry also becomes 1.
4. If the (i, j) entry in the SSIM is O, the (i, j) entry in the reachability matrix becomes 0 and the (j, i) entry also becomes 0.

The reachability matrix for the success factors is shown in Table 3, developed by using the above rules. Table 8 also shows the driving power and dependence of each variable is also shown. Driving power for each variable is the total number of variables (including itself), which it may help to achieve. On the other hand, dependence is the total number of variables (including itself), which may help in achieving it. These driving power and dependencies will be later used in classification of variables into the four groups: autonomous; dependent; linkage; and driver variables (independent).

A. Formation of Interpretive Structural Model

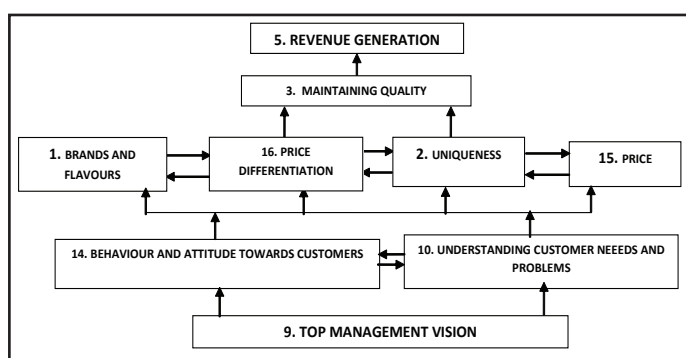


Fig. 1: Interpretive Structural Model

The interpretive structural model is generated by means of vertices or nodes and lines of edges from the final reachability matrix (Table 2). If there is a relationship between factors i and j , this is shown by an arrow which points from i to j . This graph is called a directed graph or digraph. After removing the transitivity, the digraph is finally converted into ISM as shown in Figure 1. The interpretive structural model represents the structural relationship among the different critical success factors.

VI. Results and Discussions

Performance of retail sectors in India has the potential for improving their performance dramatically and contributes to the local as well as global society. For improving the performance of retail sectors in India, the retail managers need to identify critical factors, so that management may effectively incorporate these factors at their organizational level. Further, these factors should be structured to find out the factors which are prerequisite for the success and which facilitates the achievement of others. The analysis of interaction among the factors is provided by ISM. It identifies the hierarchy of actions to be taken by management in order to improve the performance of their organization.

The following inferences are clearly drawn from this study: Top management vision factor is at the bottom of the model having strong driving power. These factors will help organizations to achieve their desired objectives and are classified as independent factor or driver. The factor with higher driving power is more of the strategic orientation. Thus, performance can be improved by continuously improving the driving factor. The results represent that Behavior and attitude towards customers and Understanding

customer needs and problems are also the important critical success factors and has a great influence on the other critical success factors. Though Top management vision is the short-term objectives, Indian retail sectors should be equipped with proper retail management strategy to achieve the long-term objective such as achievement of revenue and profitability within a quick time frame.

VII. Conclusion

Detailed information about the growth of retailing industry in Odisha, India has been provided in the present article. The study presented in this paper will help the retail managers in identifying the areas in which they need to focus their attention in order to improve customer service in Indian retail sectors. Twenty factors have been extracted from literature review and tasted through brain storming session. This will be achieved through nine distinct identified capabilities, i.e. Top Management Vision, Behavior and attitude towards customers, Understanding customer needs and problems, Price differentiation, Brand and flavors, Uniqueness, Price, Maintaining quality and Revenue generation. The paper provides an interpretive structural model to develop a map of the complex relationships and magnitude among identified critical success factors. In addition, the identified critical success factors in this research will help in formulating the right strategy for enhancing the retail performance of Indian retail sectors.

References

- [1] Jones, David, "Roaring Opportunities". Card Technology Today, Vol. 19, Issue 6, pp. 1-16, 2007.
- [2] Welsh, Dianne H.B, Steven M.Sommer, Nancy Birch, "Changing Performance among Russian Retail Workers: Effectively Transferring American Management Techniques". Journal of Organizational Change Management, (1993), 6, 34.
- [3] Edwardsson, Bo, Anders Gustafsson, Bo Enquist, "Success Factors in New Service Development and Value Creation through Services", Journal of Retailing, 2000.
- [4] Stassen, Robert E, John D. Mittelstaedt, Robert A. Mittelstaedt, "Assortment Overlap: It's Effect on Shopping Patterns in a Retail Market when the Distributions of Prices and Goods are Known", Journal of Retailing. Vol. 75, Issue 2, 1999
- [5] Isaksen Scott G, John P. Gaulin, "A Reexamination of Brainstorming Research: Implications for Research and Practice", Gifted Child Quarterly, Vol. 49, Iss. 4, pp. 315-329, 2005.
- [6] Pine BJ, Gilmore JH, "The experience economy — Work is theatre & every business a stage", Harvard business school press, Boston Massachusetts.
- [7] Johnson M, Gustafsson A (2000) Improving Customer Satisfaction, Loyalty, and Profit. An Integrated Measurement and Management System, Jossey Bass Inc., San Francisco California.



Ritwik Anand is pursuing his Master's in Business Administration in School of Management Studies (SOMS), Indira Gandhi National Open University, India. After graduating in Electronics and Tele-communication Engineering from School of Electronics Engineering, KIIT University, Bhubaneswar, India, he is currently excelling as an entrepreneur in the medicine sector at Bargarh, Odisha, India. His research area of interest is Supply chain management, Operations management and statistical analysis.



Aishwarya Dash is presently continuing Master in Technology in the specialization of Industrial Engineering and Management in College of Engineering and Technology, B.P.U.T, Bhubaneswar, Odisha, India. She has received Bachelor Degree from I.G.I.T Sarang, B.P.U.T, Dhenkanal. Her area of Interest are Production Planning and Inventory Control, Quality Engineering and Management, Supply chain Management, Operation Research.



Dr. Sushanta Tripathy is presently working as a Professor at the School of Mechanical Engineering in KIIT University, Bhubaneswar, Odisha, India. He has completed his PhD from the Department of Industrial Engineering and Management, Indian Institute of Technology, Kharagpur. His major areas of interest include production operations management, multivariate analysis, service operations management, supply chain management and productivity management. He is a Fellow of Institution of Engineers, India.



Dr. Trupti Ranjan Mahapatra, is working currently as an Assistant Professor at the School of Mechanical Engineering, KIIT University, Bhubaneswar, Odisha, India. He has completed his PhD from KIIT University on the nonlinear vibration of composite structures. He has major research interest in composite structures, smart structures, FGMs. He is also trying his hand in optimization engineering and project management. He is a Member of Institution of Engineers, India.