

## A Study on the Factors that Drive and Facilitate Organized Retailing in North Karnataka.

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**ABSTRACT:** The Indian retail sector is the most booming sector in the Indian economy due to changing demographics and up gradation of life styles in urban cities. Due to increasing purchasing power of the middle class, changing demographics and increasing percentage of young people, organized retailing sector is expected to witness a considerable growth. The trend of growth of organized retailing is expected to further continue for next two to three decades.<sup>[1]</sup> A McKinsey report states that organized retailing in India would increase the efficiency and productivity of all the economic activities and also would help in achieving the increased GDP growth. Out of the new formats of retailing the food retailers are expected to grow at a faster pace. <sup>[2]</sup>Organized retail penetration in India was about 8% in 2015 as of US was at 85%, it is expected to reach a penetration level of 13% by 2019. The present paper is an effort to strategically analyze the Indian retail industry and to identify the factors that drive the customers to the organized retail outlets and the factors that impact the organized retail business in the cities of Hubli, Dharwad and Gadag in North Karnataka. The study shows that the changing demographics, infrastructure and service are the major drivers in the organized retail outlets. The facilitating factors like management style, hygiene working conditions, training, workplace safety and team work enhances the effectiveness of the retail business.

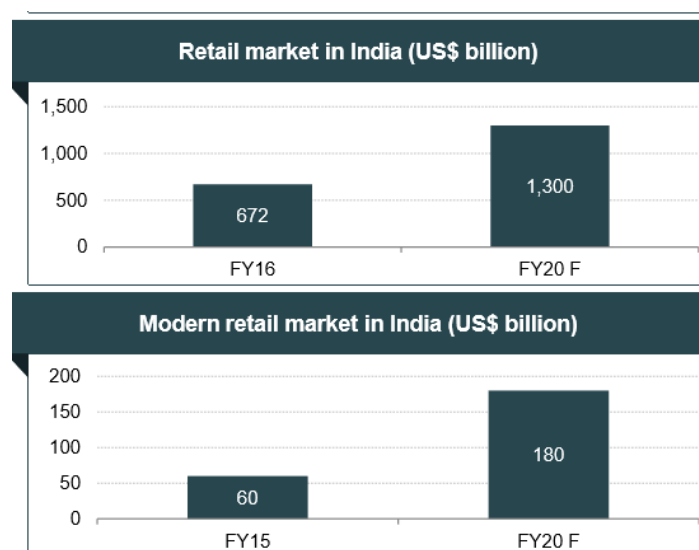
**KEY WORDS:** Retail, Organized retailing, Drivers, Demographics, facilitators.

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### I. INTRODUCTION AND LITERATURE REVIEW

The Indian retail market is one of the fastest growing markets in the world. By the year 2020 the retail sector in India is expected to reach US\$ 1.3 Trillion from US\$672 Billion in 2016 (Source IBEF Retail July 2017). The Organized retail market is expected to grow from US\$60 Billion to US\$180 Billion during 2015-2020. Due to raising number of tier 2 and tier 3 cities the supermarket space is expected to increase. The number of supermarkets has increased to 8500 stores in 2016 to 500 stores in 2006. [3] Organized retail in India is expected to grow at a CAGR of 24.57%.



**Figure 1: Retail and Modern retail market in India.**

Source: Ernst and Young, Price Waterhouse Cooper, Economic Times

**Evolution of retail in India:** the Indian retail industry has evolved over different phases like initiation, conceptualization, and expansion to the present consolidation stage over years.

**Table 1: Evolution of Retail Industry**

Stage	Year	Remarks
Initiation	Before 1990	Manufacturer owned outlets to sell their goods.
Conceptualization	1990-1995	Apparel Retailers realized the potential of the market.
Expansion	2005-2010	Entry in food and general merchandise by large Indian corporate.
Consolidation	2010 onwards	Retail movement to smaller cities and rural areas. Entry of international brands. Inflow of FDI. Rise in private label brands by the retailers.

Source: Technopak Advisors Pvt Ltd , BCG, Techsci Research

The Indian retail industry consists of the following players:

- Grocery
- Food and Beverage
- Department stores
- Pharmacy
- Books music and gifts

The retail formats can be classified as the following:

- Departmental stores
- Hypermarkets
- Supermarkets / Convenience Stores
- Specialty Stores
- Cash and carry stores

Though Indian retail industry is extremely dominated by unorganized retailing, the growth of organized retailing cannot be under estimated. Organized retailing is steadily picking up the pace of growth due to increased customers changing preference towards more pleasant shopping experiences over the convenience experience. This change in preference of the customers is also due to the changing demographic factors which prove to be the most important drivers of the organized retail industry. These demographic drivers can be classified as:

- Rising Income.
- Rapid Urbanization.
- Rigorous Spending patterns.
- Growing youth and working women.

Not only the customers preferences towards the retails outlets have undergone a remarkable change from being traditional outlets to more organized but also driven by the factors like product, price, place, promotion, process and people. The retail industry in India can be characterized by the following factors:

- People centric.
- Service oriented.
- Festivals/ holidays drive more customers to the store.
- Brand Conscious and quality conscious.

Thus the organized retailing promises large growth opportunities and significant changes in the customer buying behaviours and preferences over the coming years. The challenge lies in the retailers to frame the best marketing strategies to reap the benefits.

## **1.1 Literature Review**

The literature review has been classified into two parts:

### **1.1.1 Retail industry.**

G.Somashekhar (2014) attempted to establish a relationship between shopper demographics and factors influencing on their shopping behaviour towards organized retailing. The paper identified 6 factors as key dimensions of store attributes. The result showed that the shoppers of organized retailing prefers shopper interface and enhanced shopping experiences as top priorities.

Kalpna Singh (2014) expects accelerated growth of organized retail in India due to huge population which constitute of a large proportion of young, brand conscious, higher spending power makes the sector more favourable.

Retailing Sector Analysis Report (Equitymaster.com 2017) there is an upward trend seen in modern retailing due to urbanization, influence of western culture and changing life style. GST has simplified the distribution structure and reduces the operational complexities of the supply chain in the retail business.

Dr. Shahid Akhter (2012) suggests the organized retailers to follow certain strategies like open communication between the functional departments, balance between brand building & promotion and non marketing factors to tap the huge potential for their growth.

Sreejit (2007) reveals the likely boom of the organized retail sector in India driven by quality of product, better service and customer satisfaction.

### **1.1.2 Drivers of Indian Retail.**

Retail Market in India (2013) identifies the factors namely increased purchasing power, spread of visual media, increased employment, products from rural markets, variety of choices are responsible for boom in the retail industry.

Deepika Jamb's (2011) study depicts that the location of the retail store, management style and salaries paid to the personnel improves the effectiveness of retail business and also prove the important factors to success of the retailers.

## **1.2 Research Objectives**

- To identify the major factors that drive organized retail outlet in North Karnataka.
- To identify the facilitator that affects the business of organized retail.

## **1.3 Research Methodology and Data Analysis**

### **1.3.1 Research Methodology**

The research methodology involves administering the self structured questionnaire to 75 organized retailers in Hubli, Dharwad and Gadag cities of North Karnataka. Convenience sampling method is used for selecting the samples. The reliability of the questionnaire is checked using Cronbach alpha which is at 0.823 as depicted in table 2 below.

**Table 2 : Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.823	.800	32

The above study uses the following analytical measures:

- Descriptive statistical measures like mean and standard deviation for analyzing the major drivers and facilitators of organized retail.
- Non parametric Chi Square test to analyze the hypothesis.

### **Hypothesis:**

Based on the research objectives the following hypotheses have been formulated

**H01:** Customer relationship, Service, availability of product, Ease of finding a product and product variety does not drive the customers to organized retail outlets.

**H02:** Factors like management style, hygiene working conditions, training, workplace safety and team work does not impact the organized retail business.

## **1.4 Results and analysis**

The descriptive analysis has been performed on the following:

- Factors that drive the customers to organized retail outlet.
- Factors that facilitate the business of organized retail.

Descriptive statistics: The various parameter that drive the customers to the organized retail business and the factors facilitating the business has been ranked based on the highest mean as per the statistical output shown in the below Table 3 (Driving factors) and Table 4 (facilitating factors).

	N	Minimum	Maximum	Mean	Std. Deviation	Rank
Product Variety	75	3	5	4.56	.575	4
Price	75	3	5	4.44	.598	7
Ease of finding a product	75	4	5	4.31	.464	10
Service	75	4	5	4.73	.445	1
Availability of Product	75	4	5	4.61	.490	3
Availability of Alternative Products	75	2	5	4.15	.911	13
Availability of Preferred Brand	75	3	5	4.24	.768	12
Promotions	75	2	5	4.43	.841	8
Discount/Offers/Redemption Point	75	3	5	4.53	.794	5
Ambience	75	3	5	4.45	.599	6
Parking Facility	75	1	5	4.35	.993	9
Merchandise Display	75	2	5	4.28	.798	11
Store Brands	75	1	5	3.07	.949	14
Handling Complaints	75	4	5	4.65	.479	2
Customer Relationship	75	3	5	4.65	.533	2
Valid N (listwise)	75					

The factors with Rank 1 to 5 are considered as most important factors which drive the organized retail outlets, and they are as shown below

**Driving Factors:-**

- Service.
- Handling complaints, Customer relationship.
- Availability of the product.
- Product variety.
- Discount/offers/redemption points.

	N	Minimum	Maximum	Mean	Std. Deviation	Rank
Location of Organized Retail	75	2	5	4.19	.630	9
Retail Policy	75	3	5	4.12	.697	10
Real Estate Value	75	3	5	4.51	.795	6
Management Style	75	4	5	4.92	.273	1
Training manpower	75	4	5	4.81	.392	2
Career Opportunities	75	1	5	4.25	1.376	8
Salary	75	1	5	4.03	1.375	11
Incentives	75	1	5	4.03	1.185	12
Working Hours	75	3	5	4.31	.545	7
Workplace Safety	75	3	5	4.56	.683	5
Hygiene Work Conditions	75	3	5	4.79	.622	3
Teamwork	75	3	5	4.71	.653	4
Reputation of store	75	3	5	3.65	.923	15
Suppliers	75	3	5	3.88	.697	13
Availability of Infrastructure	75	3	5	3.67	.794	14
Valid N (listwise)	75					

The factors with Rank 1 to 5 are considered as most important factors which facilitate the organized retail outlets, and they are as shown below.

**Facilitating Factors:-**

- Management style.
- Training.
- Hygiene working conditions.
- Team work.
- Workplace safety in organized retail business

**1.4.1 Non Parametric Test – Chi Square Test**

The Chi-square test of independence is one of the most useful statistics for testing hypotheses has been performed.

Following Hypothesis are formulated H01( Driving Factors), H02(Facilitating factors) which is as shown below

**H01:** Customer relationship, Handling complaints, Service, availability of product, discount/offers/redemption and product variety does not drive the customers to organized retail outlets.

**H02:** Factors like management style, hygiene working conditions, training, workplace safety and team work does not impact the organized retail business.

Non Parametric analysis for H01(Chi-square Test) as been performed and results are shown for each driving factors from Table 5 to Table 10.

**Table 5 : Customer Relationship**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	2	25.0	-23.0
Slightly Important	22	25.0	-3.0
Very Much Important	51	25.0	26.0
Total	75		

**Table 6: Handling Complaints**

	Observed N	Expected N	Residual
Slightly Important	26	37.5	-11.5
Very Much Important	49	37.5	11.5
Total	75		

**Table 7: Service**

	Observed N	Expected N	Residual
Slightly Important	20	37.5	-17.5
Very Much Important	55	37.5	17.5
Total	75		

**Table 8 : Availability of Product**

	Observed N	Expected N	Residual
Slightly Important	29	37.5	-8.5
Very Much Important	46	37.5	8.5
Total	75		

**Table 9 : Discount/Offers/Redemption Point**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	14	25.0	-11.0
Slightly Important	7	25.0	-18.0
Very Much Important	54	25.0	29.0
Total	75		

**Table 10 :Product Variety**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	3	25.0	-22.0
Slightly Important	27	25.0	2.0
Very Much Important	45	25.0	20.0
Total	75		

**Table 11: Test Statistics**

	Discount/Offer/Redemption Point	Product Variety	Availability of Product	Customer Relationship	Handling Complaints
Chi-Square	51.440 <sup>a</sup>	35.520 <sup>a</sup>	3.853 <sup>b</sup>	48.560 <sup>a</sup>	7.053 <sup>b</sup>
Df	2	2	1	2	1
Asymp. Sig.	.000	.000	.050	.000	.008

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.5.

Table 11 shows the P value is  $\leq 0.05$ , (Reject Null hypothesis). Hence we reject the null hypothesis and accept alternate hypothesis. Therefore customer relationship, Service, availability of product, Ease of finding a product and product variety plays a very important role in driving the customers to organized retail outlets.

#### 1.4.2 Non Parametric Chi square test analysis for Hypothesis

H02- Factors like management style, hygiene working conditions, training, workplace safety and team work does not impact the organized retail business.

Non Parametric analysis for H02 (Chi-square Test) as been performed and results are shown for each facilitating factors from Table 12 to Table 16.

**Table 12: Management Style**

	Observed N	Expected N	Residual
Slightly Important	6	37.5	-31.5
Very Much Important	69	37.5	31.5
Total	75		

**Table 13: Hygiene Work Conditions**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	8	37.5	-29.5
Very Much Important	67	37.5	29.5
Total	75		

**Table 14: Training manpower**

	Observed N	Expected N	Residual
Slightly Important	14	37.5	-23.5
Very Much Important	61	37.5	23.5
Total	75		

**Table 15: Workplace Safety**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	8	25.0	-17.0
Slightly Important	17	25.0	-8.0
Very Much Important	50	25.0	25.0
Total	75		

**Table 16: Teamwork**

	Observed N	Expected N	Residual
Neither Unimportant nor Important	8	25.0	-17.0
Slightly Important	6	25.0	-19.0
Very Much Important	61	25.0	36.0
Total	75		

**Table 17 : Test Statistics**

	Management Style	Training manpower	Workplace Safety	Hygiene Work Conditions	Teamwork
Chi-Square	52.920 <sup>a</sup>	29.453 <sup>a</sup>	39.120 <sup>b</sup>	46.413 <sup>a</sup>	77.840 <sup>b</sup>
Df	1	1	2	1	2
Asymp. Sig.	.000	.000	.000	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.5.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

Table 17 shows the P value is  $\leq 0.05$ , (Reject Null hypothesis). Hence we reject the null hypothesis and accept alternate hypothesis. Therefore management style, hygiene working conditions, training, workplace safety and team work impacts the most in the organized retail business.

### 1.5 Findings and Interpretation.

This study on organized retailing in Hubli, Dharwad and Gadag cities of North Karnataka reveals that the organized retail industry has been growing at a faster pace due to the changing demographics of the customers and organized retail store attributes. Out of the 15 factors identified as the elements that derive the customers to organized retail outlets the Customer relationship, Handling complaints, Service, availability of product, discount/offers/redemption points and product variety are found to be the major driving factors of organized retailing ranked as 1 to 5 rest of the factors have moderate to low impact on driving the customers to the organized retail outlets. The 15 facilitating factors in the study shows that the top 1 to 5 ranked factors are management style, hygiene working conditions, training, workplace safety and team work which are very important elements and remaining factors are moderate to low importance for the success of the organized retailing. The study shows that the organized retailers need to leverage the opportunities available to drive the customers to the organized retailing sector.

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