CUSTOMERS SATISFACTION TOWARDS MERCHANDIZE AND PRICING STRATEGIES OF THE UNORGANIZED RETAILERS IN FMCG SEGMENT

(A Study in some of the major cities of Undivided Andhra Pradesh, India)

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Abstract: *The retail sector is one of the fastest growing and most competitive sectors in the Indian Economy. Due to the emergence of the organized retailer, the Un-organized retailers are facing challenges to retain their customers. Even though organized retailing is giving tough competition unorganized retailers are sustaining because they are proximate to the customers and the customers are habituated with the traditional Un-organized retailers from centuries and decades. The main objective of this paper is to investigate whether the customers satisfied with the Merchandize and pricing strategies of the Un-organized retailer. The paper reports the findings of the study conducted on a sample of 414 Un-organized retailer's customers and points out whether the customers are satisfied or dissatisfied with the unorganized retailer's Merchandize and Pricing strategies.*

Keywords: *Organized Retailer, Unorganized retailer, Merchandize, Pricing and Proximity*

INTRODUCTION

According to Mc Kinsey Report (2007) Retailing contributes 14 to 15% of the GDP and it is one of the pillars of the Indian economy. By the year 2010 only 4 percent of the industry was occupied by big retailers that to only in urban centers. According to BMI India Retail Report (2011) the unorganized retail sector is pegged with 6 per cent annual growth and organized retailing is growing at 35% annual growth.

Unorganized form of retailing requires very low investment and it can be started without proper brick and mortar setup. Organized retailing includes the publicly traded

supermarkets, licensed retailers i.e. who register for income tax, sales tax, corporate backed hyper markets, retail chains.

Due to the increase in the competition from the large-scale organized retailers, unorganized local retailers needs to concentrate more on the local resident's wants and needs (Broad bridge et al, 2002).

THE INDIAN RETAIL MARKET

Indian market has high complexities in terms of a wide geographic spread and distinct consumer preferences varying by each region necessitating a need for localization even within the geographic zones. India has highest number of outlets per person (7 per thousand) Indian retail space per capita at 2 sq ft (0.19 m^2)/ person is lowest in the world Indian retail density of 6 percent is highest in the world. 1.8 million Households in India have an annual income of over ₹4.5 million (US$74,700.00)

In India 90% of trade in retail was conducted by unorganized retailers and some of the challenges include Geographically dispersed population, complex distribution network, less usage of IT systems, limitations in mass media and existence of counterfeit goods.

In Indian retail market there are many mergers and acquisitions according to PWC estimate the multi brand retail market may grow up to $220 billion by 2020.

Global Retail Development Index (GRDI) mentioned that the India has topped as most attractive market for retail investment for the 3 consecutive years. The Indian economy has registered a growth of 8% for the year 2007.

CHALLENGES

According to Mc Kinsey study when compared to international peer's retail productivity in India is very less. India's labor productivity in food retailing is only 5% compared to Brazil's 14%, Poland's labor productivity in non food retailing is about 25% where as in India it is only 8%.

In India both organized and unorganized retail employment account only for 6% of Indian labor work force it is only third of levels in United States and Europe and about half of levels in other emerging economies.

On November 2011 the Indian government relaxed rules regarding FDI in retail and competition has increased in retail market.

UNORGANIZED RETAILING IN INDIA

Unorganized retailing refers to the traditional formats of low cost retailing like, kirana shops, owner managed general stores, convenience stores and pavement vendors etc. (Dr. Vipul Jain et al, 2011)

An ICRIER Survey (2007) found that the unorganized retailing consists of low-cost retailing, traditional formats i.e. local corner shops, owner managed general stores, paan / beedi shops, convenience stores, push cart and pavement vendors etc

In India most of the shopping happens in open market or in small retail and grocery shops. Shoppers wait outside the shop and they will ask the shop keeper what they want and cannot examine or pick the product from the shelf. The shopper will requests the food staple or household product they are looking for, the shop keeper will pickup from the container or shelf or from the back of the store, and offers the product for sale to the customer. Sometimes the retailer may substitute the product telling that it is equal or similar to the product that the shopper is demanding. Some products may not have price label in small shops and some products may have (MSRP) manufactured suggested retail price. In small shops two consumers pay different prices based on the negotiations of the consumer, the shoppers do not have time to examine the product label and do not have choice of comparing the competitive products.

ORGANIZED RETAILING IN INDIA

In 2011 one report estimated that the Indian retail market is generating a turnover of $470 billion a year of which $27 billion comes from organized retail supermarkets, chain stores and shops in malls. Some people believe that the rapid growth of the Indian retail industry will be possible if the retail industry is opened for free market competition and some others believe that the growth of retail industry in India will take time and the growth of the organized retail to 25% share is possible by the year 2021.

Many studies claim that the India's persistent high inflation is because of lack of infrastructure and also lack of competitive industry. Before the year 2011, there is no innovation and competition in organized retail industry.

LITERATURE REVIEW

Ruth et al (2001) Consumers are becoming more conscious in nutritional diet, health and food safety issues.

Brennan D P et al (2000) stated that the consumers shop at organized retailers for low prices and large variety and specialty stores for the unique items they cannot find elsewhere. It was observed that consumers shop at the new discounters more than at the existing stores.

Acebron et al (2000) mentioned that the consumers are showing more concentration on freshness, convenience and quality of food products.

Smith et al (1997) in support of only shop in a locality there is an argument supporting the only shop that is they play a very important role in the community and work as a support network of the locality.

McGee J E (1996) mentioned that the small retailers facing threat from new discounters responded with lower prices and increased promotions.

Vijay Kumar et al (2008) The major disadvantage for the kirana store owners is higher purchasing cost compared to organized retailers. Unorganized stores should host some measures like formation of buying group to get purchase economies from volume buying which will counter the effect of organized retailer. Many organized players have also shown interest in partnering with kirana stores to help them become efficient. Organized players like Reliance and fast moving consumer goods (FMCG) companies such as Unilever India have already taken such initiatives. As the Unorganized Retailer will not have direct access with the backend supply chain (directly from farm to store) the procurement cost of the Un-organized retailer will be more than the organized retailer. The difference of procurement cost can be eliminated through government action i.e. framing a law which is similar to the Robinson-Patman Act of the US. Robinson-Patman Act (1936) (or Anti-Price Discrimination Act, also known as the chain store Act) is a US federal law which helps the unorganized retailer to access the supply chain efficiencies of large organized retailers.

Kalhan A (2007) stated that the India is having one retailer for 100 people, it might be having highest retail density in the world he also stated that the Indian Traditional food and grocery accounts for 70% retailing which is dominated by privately owned shops and hawkers, the employment opportunities in this sector accounts for 40 million and it contributes 10% of gross domestic product. In metropolitan cities organized retailing is having its demand.

AC Nielsen in the survey on "Shopper & Consumer Trends 2004" who analyzed key retail markets in Asia Pacific region and he surveyed only India where traditional grocery stores are the key outlets where customers spent more money.

Tarun K. S et al, (2007) mentioned in their article about the message of Sanjeev Goenka of RPG group that the unorganized will not have any overhead expenses so they should not be worried about the competition from Indian and also from the International players.

Sinha. PK., Mathew E et al, (2005) with a sample of 26 respondents these authors conducted a research about selection of Grocery and food retailer. They concluded that the type of product is influencing the purchasing behavior of customers and they also mentioned that the shopping is also having influence by the local culture.

RESEARCH METHODOLOGY

The main objective of this research is to know whether the customers are satisfied with the Merchandize and Prices offered by the unorganized retailer and whether those factors are playing an important role in making purchasing decisions of Indian customers.

RESEARCH OBJECTIVES

1. To know the customer satisfaction level with reference to merchandize offered by the unorganized retailers.

2. To Know the level of customer satisfaction with reference to the pricing policy adopted by the unorganized retailer

HYPOTHESIS

H_0 Customers are satisfied with the quality of merchandise available with the Unorganized Retailer

H_1 Customers are not satisfied with the quality of merchandise available with the Unorganized Retailer

H_0 Customers are satisfied with the pricing policy of the unorganized retailer

H_2 Customers are not satisfied with the pricing policy of the unorganized retailer

SAMPLE SIZE

The sample size of the research was 414 customers of Unorganized retailers who belongs to some of the major cities of Undivided Andhra Pradesh i.e. Hyderabad, Warangal, Guntur, Vijayawada, Kurnool, Ananthapur, Rajahmandry, Kakinada, Visakhapatnam where the present study is being taken up.

QUESTIONNAIRE DESIGN

The study was based on face to face interview with a structured questionnaire.

Questionnaire: Customer Interview Schedule

14 questions are designed for customer survey

Question 1 to 6 are designed relating to the customers profile as follows

Question1. Name of the Customer

Question2. Mobile No.

Question 3. Age

Question 4. Profession

Question 5. Gender

Question 6. Location

Question 7 to 14 are designed to know the perception of the customer about Unorganized Retailer

Question 7 related to the shopping habit of the customer

Question 8 relates to the information shared by the Unorganized

Question 9 relates to the merchandize variety maintained by the unorganized retailer

Question 10 relates to the merchandize quality maintained by the unorganized retailer

Question 11 relates to the freshness of merchandize maintained by the unorganized retailer

Question 12 relates to the pricing policy maintained by the unorganized retailer

Question 13 relates to the discounts offered by the unorganized retailer

Question 14 relates to the customers satisfaction with the unorganized retailers

Pilot Study: Necessary amendments are made in the questionnaire based on the observations in the pilot study conducted with 15 Customers of unorganized retailers.

Table : 1	Basic information about the Customers			
Gender				
	Male		**Female**	**Total**
No. of Respondents	360		54	414
Percentage	86.96		13.04	100%

	Age					
	21-30 Years	**31- 40 Years**	**41 –50 Years**	**51-60 Years**	**Above 61 Years**	**Total**
No. of Respondents	198	72	72	45	27	414
Percentage	47.83	17.40	17.40	10.87	6.52	100%

Customer Occupation						
	Government Employee	Private Employee	Business	Home Maker	Others	Total
No. of Respondents	9	198	108	45	54	414
Percentage	2.17	47.83	26.09	10.87	13.04	100%
Customers Shopping Habit						
	Once in a Week	Twice in a Week	Once in a month	Depending on the need	Total	
No. of Respondents	90	81	108	135	414	
Percentage	21.74	19.57	26.09	32.6	100%	

Source: Data collected through survey in some of the major cities of undivided Andhra Pradesh, India.

Interpretation:

Table 1 shows the basic information of 414 respondents i.e. customers of unorganized retailers.

Gender: In the gender segment we can observe that majority of the customers 360 (86.96%) who are doing retail shopping are male

Age: Regarding age segment we can identify that most of the customers 198 (47.83%) are in the age of 21 to 30 years.

Customer occupation: If we observe the occupation segment that 198 (47.83%) of the customers of private employees

Customers Shopping Habit: In this segment we can identify that many customers (135 (32.6%) are doing shopping depending on the need.

Table 2 Showing Customers perception about the Merchandise Variety, Quality, Freshness, Pricing policy, Discounts offers available with the Unorganized Retail Stores and also Customers satisfaction with the Overall performance of the Unorganized Retailer.												
Parameters	Customers of Unorganized Retailers											
	Unorganized Retailers Merchandise Variety		Unorganized Retailers Merchandize Quality		Unorganized Retailers Merchandize Freshness		Unorganized Retailers Pricing Policy		Unorganized Retailers Discounts Offers		Unorganized Retailer's Customers satisfaction	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Highly Satisfied	90	21.74	180	43.48	369	89.14	45	10.87	81	19.56	225	54.35
Moderately Satisfied	315	76.08	234	56.52	36	8.69	345	83.33	285	68.84	189	45.65
Not Satisfied	9	2.18	0	0	9	2.17	24	5.8	48	11.59	0	0
Total	414	100	414	100	414	100	414	100	414	100	414	100

Source: Data collected through survey in some of the major cities of undivided Andhra Pradesh, India

Interpretation: Table-2 exhibits the responses of 414 customers regarding the unorganized retailers. The table is showing the perceptions of the customers about the merchandize variety, quality, freshness, pricing policy and discount offers of the unorganized retailers.

Highly Satisfied: (i) Most of the customers 369 (89.14%) opined that they are highly satisfied with the merchandize of the unorganized customers.

(ii) Most of the customers 225 (54.35%) said that they are highly satisfied with the discount offers of the Unorganized retailer.

Moderately Satisfied: (i) Most of the customers 315 (76.08%) said that they are moderately satisfied with the merchandise variety of unorganized retailer.

(ii) Most of the customers 234 (56.52%) responded that they are moderately satisfied with the merchandize quality of unorganized retailer

Not Satisfied: From the above table in all the categories we can observe that very less customers opined that they not satisfied.

HYPOTHESIS TESTING

H₀ Customers are satisfied with the quality of merchandise available with the Unorganized Retailer

H₁ Customers are not satisfied with the quality of merchandise available with the Unorganized Retailer

Table: 2.1

Quality * Satisfaction Cross tabulation

Quality	Satisfaction		Total
	Satisfied	**Satisfied to some extent**	
High	144	36	180
Moderate	81	153	234
Total	225	189	414

Source: Data collected through survey in some of the major cities of undivided Andhra Pradesh, India.

Chi Square

- ❖ The Degrees of freedom = (r-1) (c-1) = (2-1) (2-1)= 1

❖ Significance level = 5%

❖ Calculated value of X^2 is 84.462

❖ Table value of 3.841

The calculated value of Chi Square is 84.462, chi square table value at 5 % level of significance with 1 degrees of freedom is 3.841 and p value is 0.000. Here chi square calculated value is more than the critical value. Hence, the null hypothesis is rejected and alternative hypothesis was accepted. In other words we can say that the customers of unorganized retailer are not satisfied with the merchandize available with the unorganized retailer.

H_0 Customers are satisfied with the pricing policy of the unorganized retailer

H_2 Customers are not satisfied with the pricing policy of the unorganized retailer

Table 2.2

Pricing * Satisfaction Cross tabulation

Pricing	Satisfaction		Total
	Satisfied	Satisfied to some extent	
High	18	27	45
Moderate	186	159	345
Low	21	3	24
Total	225	189	414

Source: Data collected through survey in some of the major cities of undivided Andhra Pradesh, India

Chi Square

❖ The Degrees of freedom = (r-1) (c-1) = (3-1) (2-1)= 2

❖ Significance level = 5%

❖ Calculated value of X^2 is 14.391

❖ Table value of 5.991

The calculated value of Chi Square is 14.391, chi-square table value at 5 % level of significance with 2 degrees of freedom is 5.991 and p value is 0.01. Here chi square calculated value is more than critical value. Hence, the null hypothesis is rejected and alternative hypothesis was accepted. In other words we can say that the customers of unorganized retailer are not satisfied with the pricing policy of the unorganized retailer.

DISCUSSIONS AND CONCLUSIONS

The purpose of this research was to find whether the customer is satisfied with the unorganized retailers in undivided Andhra Pradesh, a state where people with different social classes are faced by the unorganized retailers. In the present scenario unorganized retailers follow different qualities of merchandise with different price structures. Mainly Quality and Prices of the merchandise will play an important role in developing the relationship between retailer and customer and ultimately result in customer satisfaction or dissatisfaction. The results of the frequency analysis pointed out the following.

1. The customers are not satisfied with the quality of the merchandise offered by the unorganized retailers.

2. The customers are not satisfied with the pricing policy of the unorganized retailers.

CONCLUSION

Retail is the fastest growing sector in Indian economy with a compounded annual growth in the recent years. Traditional retail outlets are paving way to newer formats like Supermarkets, Specialty store and Hypermarkets. With the mushrooming western style malls found in metros and second rung cities, the Indian consumer is introduced to an unparalleled shopping experience. At this juncture unorganized retailer must take necessary care towards quality of merchandise and pricing policies in order to attract the customer otherwise he cannot sustain due to tough competition given by the organized Retailer

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