



CATCHMENT AND COMPETITOR ANALYSIS FOR ORGANIZED INDIAN RETAIL STORES IN COCHIN

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Abstract

Retail sector is a booming sector in India. Retail sector in India is contributing 10% to India's GDP and around 8 per cent of the employment. It is one of the important drivers of economic development and employment generation. Location is the most important ingredient for any business that relies on customers, and is typically the prime consideration in a customer's store choice. The main purpose to conduct this survey was to find out the catchment area (i.e. area from where the customers come to the store) for organized retail store and to identify the competitor of the store available in the same catchment area. The survey was conducted at the "Daily format" stores located at the different locations namely Elamakkara and Kadavanthra at Cochin in Kerala. The objective of the project is to identify the potential customer and competitor of the store in the same catchment and to know the perception of customer on buying at organized retail store. The report also gives the result about the effect of discount and offers on the buying behavior of the customers and demography of the customers. This report can be used as a basis to identify the competitor and catchment area of the stores at different locations. This is an exploratory research. A sample size of 70 respondents (customers) has been taken from each of the two locations (140 samples) by convenient sampling and a structured questionnaire has been used for direct interview to collect Quantitative data. Qualitative data has been collected from the comment of the respondents about the store and by the observation of the store as well as its competitor. The report states that the buying behavior of customer is affected by the discount and offers but result may change for different location, it highly depends upon the social background of the customers and the frequency to visit a store has no significance in relation with the gender. The company can be a leader in its catchment if it brings some change in its catchment and the employees are properly trained.

Introduction

The word "Retail" originates from a French-Italian word. Retailer is someone who cuts off or sheds a small piece from something. Retailing is the most active and attractive sector of last decade. While the retailing industry itself has been present since ages in our country, it is only the recent past that it has witnessed so much dynamism. The emergence of retailing in India has more to do with the increased purchasing power of buyers, especially post-liberalization, increase in product variety, and increase in economies of scale, with the aid of modern supply and distributions solution. Retail sector in India is contributing 10% to India's GDP. It is one of the important drivers of economic development and employment generation. Organized retail store is limited predominantly to the urban areas and comprise only 5% of the total retail sectors. Which is presently amount to be around \$18 billion per annum. India is the fifth largest retail market globally and has been ranked second after Vietnam as most attractive emerging market destination for investment in the retail sector (source: A T Kearney's seventh Annual Global Retail Development Index, 2008).

India is considered to be the county of young. 54% population of India is of the age less than 30 years. This number is very attractive to any new comer into the retail sector because it is the younger generation that would be earning and spending more. But Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. There are many opportunities to start a new retail business but retailers are facing numerous challenges.

Location is the most important ingredient for any business that relies on customers, and is typically the prime consideration in a customer's store choice. Locations decisions are harder to change because retailers have to either make sustainable investments to buy and develop real estate or commit to long term lease with developers. When formulating decision about where to locate, the retailer must refer to the strategic plans.

Objectives

The primary objective of the study was "To identify the competitors and find the potential customers of an organized retail store and the perception of customers on store. This objective was followed by four specific objectives; (1) To study the effect of discount and offers on consumer behavior. (2) Demographic (age, education, occupation, expenditure) study on customer. (3) To identify the potential customer of the organized retail store. (4) To study which kind of competitor (organized or traditional outlet) affects the business of an organized retail store more.

Hypothesis

1. *The purchasing behavior of a customer is not affected by the discount and offers available at the store.*
2. *Frequency of purchase is not affected by the gender of the customer.*



Research Methodology

It is an exploratory research because a problem has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects. It has been used in this research because the main purpose of the study was to identify the potential customer and competitors of the organized retail store as well as catchment analysis. The research helped in determining the suitable data collection methods for fulfilling the purposes.

Non Probability Sampling has been chosen for data collection. The reason being the less likely response from the customer is the main reason behind selecting this sample design. In retail store customer's response is very less to any kind of survey after coming out of the store. So only those customers can be interviewed who responded during the survey.

A sample size of one hundred forty (140) respondents from two different locations (Kadavanthara, Elamakkara) in Cochin has been taken for this study. Data has been collected through both primary and secondary sources.

The data have been analyzed with the help of various statistical tools like ANOVA, CROSSTABS, DISCRIMINANT ANALYSIS, and FREQUENCY. And qualitative data has been collected through the comments of the customers and by observations. SPSS and MS Excel have been used to analyze the data.

Limitation And Scope of The Study

Biasness of respondents is the major limitation of this study, because the entire quantitative analysis is based on their response to the questionnaire.

This report can be used as a basis to identify the competitor and catchment area of organized retail stores at different locations in Kerala.

Analysis and interpretation of data

Factors attracting a customer to store

It has been summarized from frequency analysis that there is more than one reason for visiting a store as it is very clear from the graph because a sample of 140 customers told 275 reasons for visiting an organized retail store. The most attractive factors are nearness (33%), wide range of products (25%), high quality (14%) and good service (14%). Nearness from home is the biggest factor which attracts a customer to visit a retail store.

Following interpretations have been summarized by using cross tabulation analysis.

1. 57% of the customers who come to the store are male and 43% customers are female but the frequency of purchasing is not very significant to the gender. From the Chi-square table it is clear that the significant level of 0.09460933196352 (Pearson's) has been achieved. This means that the Chi-square test is showing a significant association between the gender and frequency of purchase at 90.5% confidence level (100-9.5), If the contingency coefficient value is greater than + 0.5 then the variables are strongly associated. In this case the Contingency Coefficient value is just 0.469 which is lesser than 0.5, hence the variables are not associated but the Lambda value (with frequency of purchase dependent) 0.02380952380952 means that 23.8% of error reduced in predicating the frequency of purchase if gender is known. From this result (Lambda value) it found that there is a significant relationship between frequency of purchase and gender.
2. 40% of the customers who come to the store and have the perception that the price of products at retail stores are reasonable, they don't compare the price of the products from other stores. But 32% customers, who have the perception that the price of products at organized retail store is higher than other stores, compare the price of the products from other stores. From the Chi-square table it is clear that the significant level of 6.699291164747e-008 (Pearson's) has been achieved. This means that the Chi-square test is showing a significant association between the perception of the customer about the price of the products at store and price compare with other store for the same product, If the contingency coefficient value is greater than + 0.5 then the variables are strongly associated. In the above case the Contingency Coefficient value is just 0.453 which is lesser than 0.5, hence the variables are not associated but the Lambda value (with price compared with other store is dependent) 0.4696969697 means that 47% of error reduced in predicating the perception of customer about price of product at the store if the price of product has been compared with other store or not is known.
3. there is a significant relationship between distance of store from home and frequency of purchase.



Following interpretations have been summarized by using one way ANOVA.

1. From one way ANOVA the significance level for all the products are less than 0.05. It proves at 95% confidence level the variance in the independent variable is able to cause significance variation in the dependent variable. Thus the null hypothesis "Discount and offers does not have any effect on consumer buying behavior" is rejected.
2. From one way ANOVA it is clear that the significance level is more than 0.05, so the null hypothesis "Frequency of purchase is not affected by the gender of the customer" is accepted.

Following interpretations have been summarized by using Discriminant analysis.

1. From the classification result table, it can be inferred that the discriminant function as obtained to find the potential customer is able to classify 64.4% of the 140 case correctly and the significance level of valid cases are 84.3%. There are 45 cases in 35-44 age group, 27 cases in 25-34 age group, 18 cases in 55 and above age group, 17 case in 45-54 age group and 11 cases in 20-24 age group out of all 118 cases which have been classified.
2. From the classification result table, it can be inferred that the discriminant function as obtained to find significance level of valid cases are 100%. There are 51 cases in 35-44 age group, 32 cases in 25-34 age group, 23 cases in 55 and above age group, 21 case in 45-54 age group and 13 cases in 20-24 age group out of all 140 cases which have been classified.

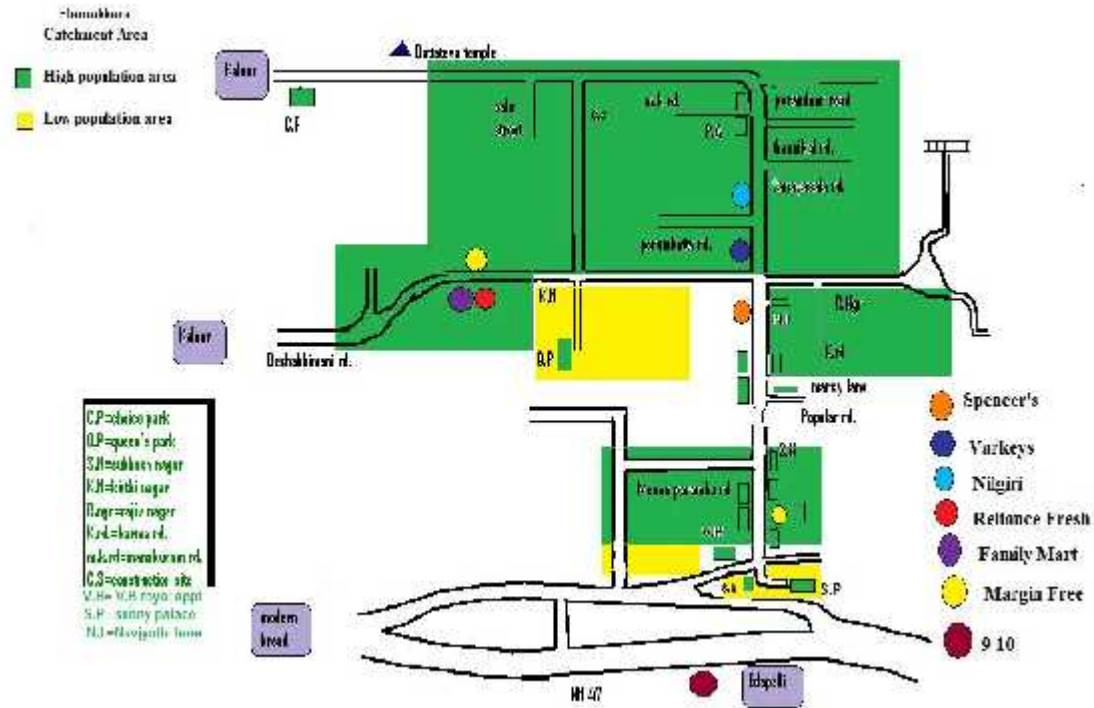
Findings of the study

1. The potential customers of an organized retail store live within 1.5 km of radius from the store. They come to the store near about 11 times in a month and buy more than half of their house hold products. They are between age group of 25-44 yrs. The customers who are potential customers, their monthly expenditure are between Rs. 5000-8000.
2. There is a significant effect of discount and offers on a customer's buying behavior in Cochin.
3. The competitors of organized retail stores are an organized retail store itself besides Local stores in the same locality, because these are the stores where a customer goes more and the price of products available at store is also compared more with these stores. If there is more than one store of the same brand in one locality, it helps in getting competitive advantage.
4. Perception of customers about the store is also positive a large number of populations accept that the retail stores provide high quality and wide range of products.
5. The biggest factor to attract a customer to the store is proximity and wide range of products.
6. Frequency of visiting store has a significant relationship with the distance travelled by the customer to come to store.
7. The customers who come to a retail store more are self employed, graduate with technical degree, between age group of 25-44 yrs and married. The average expenditure of a customer who comes to the store is Rs.6807.
8. Maximum customers who feel that products at retail store are sold at reasonable rate don't compare the price but maximum customers who feel that products are sold at higher rate compare the price of the products with other stores. So it can be said that products are sold at higher rate at retail stores.

Note

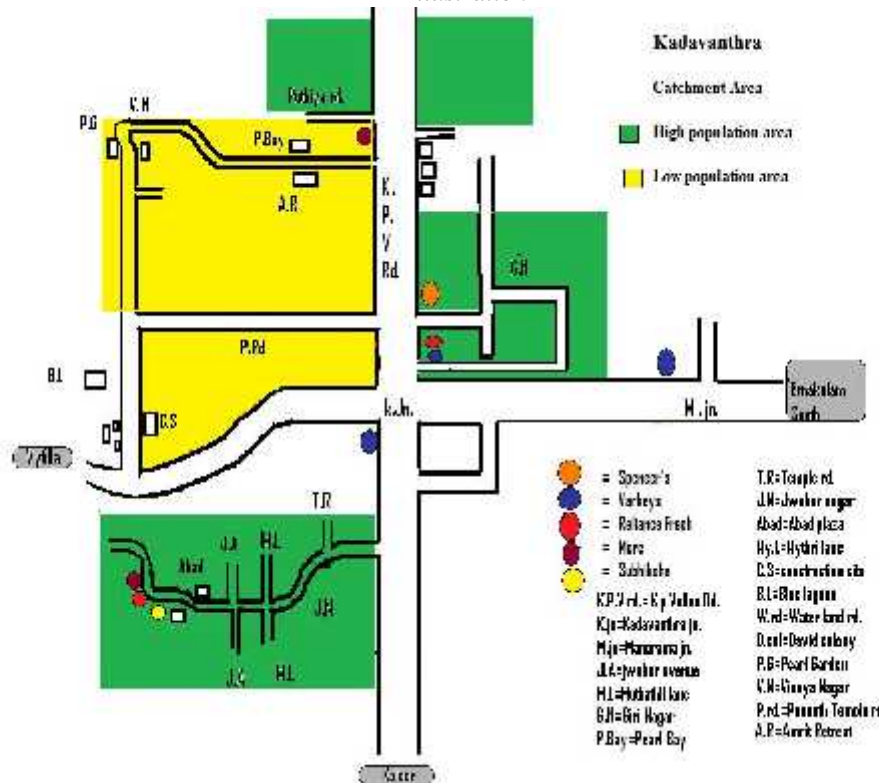
The effect of discount and offers on the buying behavior of a customer highly depends upon the demography of a customer as it has been found out that within same city at different location we have different results. At Elamakkara the buying behavior of a customer is affected by the discount and offers available in store. But at Kadavanthra it is not and the customers are different at both the location by their occupation, education and social status.

AreaMap



Catchment map showing the density of population and competitors in Elamakkara.

Illustration -1



Catchment map showing the density of population and competitors in Kadavanthara

Illustration- 2

The density of high and low population area has been defined on the basis of the number of houses available in the locality. It differs because of the population of the locality and the total area of the locality. In the above maps besides density of population, number of different organized retail stores has been shown and where these are located in the area has been highlighted.

Illustration – 1

The area shown in this map is known as Elamakkara. It is near Edapally in Cochin. This area has seven organized retail store at different locations in area. If the locations of stores are critically analyzed, it is found that there are four stores name Margin Free, Spencer's, Varkeys and Nilgiri on one road and in range of 2km. So the competition among these four stores is more. It is also found that Margin Free, Varkeys and Nilgiri are located in the area of High population. But Spencer's attracts the customers of the area where Margin Free is located. Because that area has more number of house apartments and the residents in those apartment visit Spencer's because of availability of wide range of products and high quality, which they don't get at Margin Free. Besides this Spencer's gets the customers from the area which is before its store and few customers from the low population area. Varkeys gets the customers from entire Elamakkara. The store "910" is located at main road of Edapally and functions as a convenience store.

Illustration- 2

The area shown in this map is known as Kadavanthara. In this area there are nine organized retail stores of five different companies. There are five retail stores on K.P Vallon road alone. In this area More and Reliance Fresh have two stores where Varkeys has three stores. The number of Varkeys store is more in this area. If we see the locations of Varkeys in this area it can be interpreted that the stores of Varkeys are competing to each other in itself. But it is not true, it a strategy which has been adopted by Varkeys to take competitive advantage. In the map we have seen that there is a main road between two stores of Varkeys. This is a very crowded road and it takes at list 5 min for a parson to just cross the road and go other side. By locating stores both the side it is facilitating its service at both side of the road and customers has no need to cross the road. This strategy has been selected to attract the customers of both side of the road, who used to go to other store due to the reason of crossing the road. The same strategy of Varkeys has cause disaster for an organized retail store in Tripunitha and finally the store had to be closed down. By increasing the number of outlets in the same area Varkeys is satisfying the need of maximum number of customers. It also is getting the advantage of proximity by being near to each customer; where other stores are suffering due to not being near to all the customers in the area. All the stores of Varkeys are within the radius of 3km in this area.

Conclusion

A retail store can perform better if it takes proper care of its catchment area and competitor's activities. Organized retail stores are enjoying customers only from 1.5 km radius. Normal stores in good catchment like Earanakulam should get customers from 3 km. From this it can be inferred that the catchment area has too much of retail outlets which are fulfilling most of the need of the customers. It may be that the promotional activities of the organized retail outlets are not effectively done for areas outside 1.5 km radius. The stores are also getting very less customers of the age groups below 20 yrs and 20-24 yrs. It means that these age groups are being attracted by its competitors and they are going there for their needs. The target customers of different retail stores are different but no retail store is getting full proportion of its target customer. It means that these customers are going to other stores in the same catchment, may be because of proximity they are compromising with their needs or the stores are not much effective to attract their attention. There are both organized as well as unorganized competitors for retail stores in its catchment area, which are affecting its business and attracting its customers to its stores.

Suggestions and Recommendations

1. Company should revise the display of its store because it has been observed from the comments of customers that they are not happy with the display of products inside the store. Those products which are the foot fall drivers in the store should always be kept at the front before the eye of a customer.
2. Customers have a human tendency to check the quality of product before buying it especially for staples. So if the samples of staples available in the store are kept to check the quality of staples it can attract more customers in store.
3. The display of discount and offers available at stores are shown on very small cards which are kept to the shelf of that category if these are shown on big card, it could attract more customers. Because customers who are in hurry don't tend to see these small cards if the cards would be big it will attract the attention of customers and effect the sale of the store.



4. A big board should be kept near to the entry gate of the store displaying all the discounts of the day available at the store. It will give the information about the discount and offers in advance to customers and they may tend to buy more.
5. The price of each product inside the store should be displayed before the products, because customers have to pop up the product to see the price. If the price will be displayed it will be convenient for the customer. This strategy has not been adopted by any of the store in Cochin. So it will also show the transparency of store about price.
6. The products of own brand which is sold at the store should have more discount and offers because its price is either more than or similar to the other branded products which is well known to the customers. Customers will be less attracted by these products if it has less offers and discounts.
7. Employees of stores need more training about the store and customer handling because it has been seen during survey that the employee face problem in handling the customers. They should have proper information about the products available in the store.
8. Retail stores should provide a benchmark price to the customer which will compare the price of products with the other store. This will help to change the perception of customers about the price of the product at retail store.
9. For providing special discount/offer the day should be selected properly. It should be provided on the day when the footfall is maximum. For example Saturday and Sunday.

Reerence

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