

“Customer Value Proposition in the context of Retail Sector”

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ABSTRACT: *In the complex business environment most of the corporates are moving fast to earn material profits. Very few of them have understood the meaning of Value in business or business of values. Tata group took a century to achieve what they have today. Few of the companies have attained that in a very short duration as compared to them. What differentiate Tata is their values and ethics. This paper analyses that impact of these value attributes on the mindsets of customers with special reference to retail sector. It has explored why people are selecting the mode of buying on what basis and that put the foundation for effective value propositions. It further goes on explaining role of values in business.*

Keywords: *Value Proposition, Customer Buying Preferences, Value Creation in Retail. Impact of Organized Retailing on customers,*

I. INTRODUCTION

Value Proposition is an art of communicating “Here is why you should buy from us” to your customers. Simply put, a value proposition “the promise of value to be delivered and the belief from the customers that value will be experienced”¹(ICRIER, 2008). The retail industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today. Creating a value proposition is a part of business strategy. Kaplan and Norton say "Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation."

Developing a value proposition is based on a review and analysis of the benefits, costs and value that an organization can deliver to its customers, prospective customers, and other constituent groups within and outside the organization. It is also a positioning of value, where Value = Benefits - Cost (cost includes economic risk).

Recent years have brought winds of change to the retail arena. More than a decade of rehearsals of copying the same brick-and-mortar offerings to first online and later mobile business models has been accompanied by truly novel perspectives to creating value for customers. Besides selling merchandise in multiple channels, retailers have increasingly stepped away from a position from which they just move goods, toward a role of providing service to customers. For instance, we have witnessed an abundance of applications targeted at making the buying decisions easier, facilitating the consumption of the goods sold, and sharing the shopping experience with friends via social media. Retailers and their partner companies offering media, IT solutions, and market knowledge, as well as customers, have become co-creators of value. Further, the role of customers and their social networks is expanding from that of passive recipient of marketing to co-creator of the content, co-innovator, and co-marketer (e.g., Nambisan & Nambisan, 2008)².

II. LITERATURE REVIEW

Ballantyne et al. (2011, 205)³ emphasize the reciprocity of the value proposition and suggest a refined: “An enterprise can initiate or participate in developing value propositions as reciprocal promises of value but beneficiaries will always determine what is of value in their own terms.”

Gibson G. Vedamani (2008)⁴, explained the meaning of retailing its types and also thrown lights upon organized retail and un-organized retail. He has referred various researches done on retailing and stated various aspects of retailing such as world retail formats, Indian retail situation and share of Indian retail to world retail.

¹Mathew Joseph (May 2008). *Indian Counsel for Research on International Economic Relations*

²Nambisan, S. and Nambisan, P. (2008), “How to profit from a better "virtual customer environment",” *MIT Sloan Management Review*, Vol. 49 No. 3, 53–61.

³Ballantyne, D., Frow, P., Varey, R. J., and Payne, A. (2011), “Value propositions as communication practice: taking a wider view,” *Industrial Marketing Management*, Vol. 40 No. 2, pp. 202–210.

⁴Gibson G. Vedamani (2008). *Retail Management*. Jaico Publishing House, Mumbai.

The book also explains about various strategies adopted by companies giving examples with the help of case study.

Retailers and their partner companies offering media, IT solutions, and market knowledge, as well as customers, have become co-creators of value (e.g., Prahalad&Ramaswamy, 2004)⁵.

R Sudarshan (2007)⁶ in *Retail Management-Principles and Practices* did the conceptualized retail analysis with environment that affects retail sector the great extent.

Abhijit Kulkarni (2009)⁷ through his *Distribution and Retail Management* explained the organization structures of various retail formats. Decision making in retail sector at various levels in various formats is analyzed in the book. He has also pointed out various strategic decisions with retailing sector for organised and un-organised sector and management decision making on various issues.

1. Scope Of The Research

The scope of this research work defines boundaries of the survey in terms of geographical boundary, time horizon & sector. These limitations are as under:

- 1.1 The study is restricted to Nashik City, Maharashtra.
- 1.2 This study has considered the following product categories of organized and un-organized outlets:
 - Food and grocery, which is present across the city in organized and un-organized retail stores
 - Textiles and clothing which are usually departmental stores, and regular or large format stores.

2. Objectives

This article is aimed to through lights on organized retail sector and its impact on the customers of the Nashik city.

The article is based on the following objective.

- 2.1 To study the parameters of customers in selecting the retail outlet for shopping.
- 2.2 To study the value proposition of retail sector and customers.

III. RESEARCH METHODOLOGY

Research Methodology is defined as a “systematized effort to gain new knowledge”. So apart from the fulfillment of degree, I conducted the same with the intention to acquire new knowledge by concluding the impact of organized retail sector on the local economy of Nashik city.

2.3 Types Of Research observed In This Article

- 2.3.1 **Qualitative Research:** The research article has studied the behavior of customers towards selecting the mode for purchasing of consumer goods (e.g. whether to buy from Kirana stores or from malls). It also studies various qualitative parameters of customers in selecting of shop.
- 2.3.2 **Quantitative Research:** Paper studies is the numbers in terms of number of customers impacted by organized retailers.

2.4 Sources Of Data Collection

- 2.4.1 **Primary Data:**
 - a) Observations of retailing activities, Questionnaire from parties involved in the survey.
 - b) Personal Interviews with organized retailers, customers (exit interviews).

6.2.2 **Secondary Data:** In this method study on History records which has already been started as given in literature review. It analyses what has done in the same field or related field and what needs to be done. Analysis of documents is done to gather the required data. This data is collected through journals, publications, magazines, Digital Library resources, Retailers associations in Nashik city etc.

2.5 Sample Design

The sampling plan has done after collecting some preliminary data as mentioned below.

⁵Prahalad, C. K., and Ramaswamy, V. (2004), “Co-creation experiences: the next practice in value creation,” *Journal of Interactive Marketing*, Vol. 18 No. 3, 5–14.

⁶R. Sudarshan (2007). *Retail Management- Principles and Practices*. New Century Publications, New Dehli.

⁷Abhijit Kulkarni (2009). *Distribution and Retail Management*. NiraliPrakashan, Pune.

5.3.1 Product Category Coverage

Following the deliberations in the brainstorming research workshops, the study covers the following product categories of organized and un-organized outlets:

- Food and grocery, which is present across the city in organized and un-organized retail stores
- Textiles and clothing which is usually departmental stores, and regular or large format stores.

These product categories form major part of retailing and hence these categories are taken into consideration while doing the research.

2.6 Population/Universe

As customers are major stakeholder in the expansion of organized retail, the consumer survey forms integral part of the study.

5.5 Sampling Unit : The sampling unit considered as different parts of the Nashik City.

5.6 Sample Size : The calculation of Sample size is done as under
 By considering all the factors and formulae I had planned the following sample size:

Sr. No.	Sample element	Sample Size
1	Customers (Exit Interviews)	100
Total Sample Size		100

IV. DATA ANALYSIS AND FINDINGS

The survey has been conducted over 100 respondents and following data is collected and analyzed.

6.1 Switching of Customers

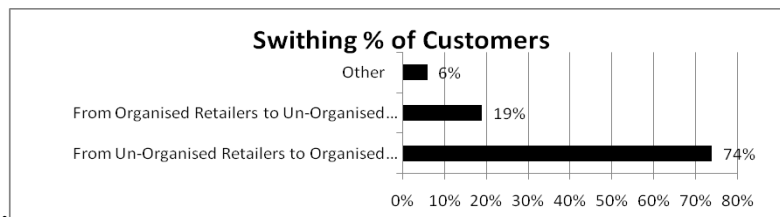


Fig: 6.1 Switching of Customers

There are 74% of customers who have started shopping from organized retailers over un-organised retailers in last six months. Yes, there are also 19% people who have got shifted to Un-organised sector. When asked to customers about switching reasons the common reasons were of buying experience, cleanliness and others.

6.2 Parameters considered by customers while choosing the shop.

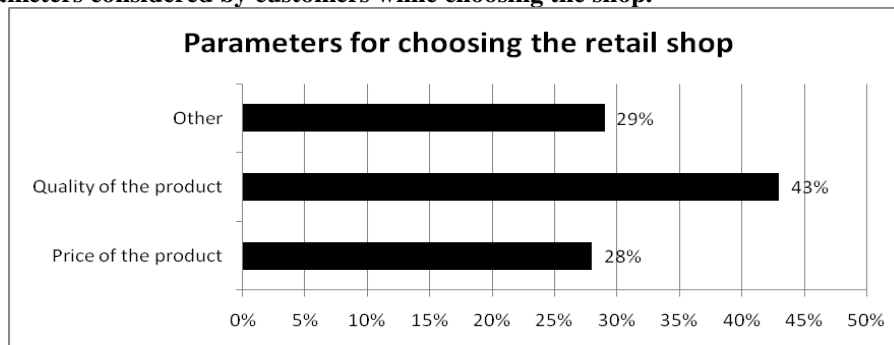


Fig 6.2 Parameters for choosing the retail shop.

Customers are choosing the mode on the basis of two major factors i.e. Quality of the product and price of the product. Above analysis shows 43% preferred quality over price whereas 28% people choose price over quality.

Even price and quality are the major factors, others here plays major role here and that forces retailers to understand the importance value attributes such as Buying Experience, Trust, Assortment, Return Policy, Delivery Cost, Loyalty etc. These attributes along with goods or services are taken by customers in this survey.

V. CONCLUSIONS:

- 2.7** By going through the analysis it is clear that customers are shifting themselves to organized retail not only due to quality and price factors but other value attributes such as buying experience, assortment, delivery cost etc. This suggest that customers are becoming value oriented and this ratio is expected to go in coming years.
- 2.8** Due to various online social platforms customers are getting the information in their hands about retailers experience and its service. They have to think over a good value proposition with their customers to retain in the business.

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