COMPETITIVE PRESSURE AND CUSTOMER SATISFACTION: BOON OR BANE

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21st Century is truly different in various aspects as compared to what it was previously. Businesses were run based on experience, manpower and money. This is not the case today, things have changed drastically, it’s not simply experience, manpower and money but you need to know technology well, you need to know your customer very well and not only that, but you also need to know what your competitor is doing. If you manage to keep pace with all of these, you are successful. That’s the mantra for Business Excellence today.

Indian retail industry is one of the industry which is in the same boat, similar situation. All five forces suggested by Michel porter are working simultaneously. Running your business successfully and profitably and satisfying customers also at the same time is becoming more and more difficult these days. Let us consider Porter’s five forces one by one in the context of Indian Retail Industry.

RIVALRY WITHIN INDIAN RETAIL INDUSTRY

Intensity of Rivalry between competitors in an industry depends on the structure of competition. Rivalry is more when there are many small or equal sized competitors; rivalry is less when there is one clear market leader. The structure of industry costs, the degree of differentiation and the switching costs determine the intensity of rivalry in any industry.

Major retail players in India today are Future Group, Mahindra Group, Reliance, Bharti, Aditya birla and many more. If we will consider 5 years back Indian scenario, it was different there were hardly few retail players, competition was not really that tough. Because of this structure as said in previous paragraph rivalry was less. Today things are different not only many players have already entered this retail market but many more are planning to enter and few of them are foreign investors. Because of the recent reforms in FDI in retail many foreign investors are planning to enter Indian retail industry in a big way.
Previously rivalry was amongst the small unorganized retailers and the big players but during last few years small unorganized retailers are nowhere in the picture. It is the competition between only big players and day by day more and more unorganized retailers are becoming simply spectators.

THREAT OF SUBSTITUTES

Already many of age old kirana and baniya shops are replaced by reliance and big bazaars. But considering the Indian context we need to understand whether Indian customer will stop going to these age old kirana and baniya shops and start visiting reliance and big bazaars on daily or weekly basis? What is the possibility of this happening? What exactly Indian customers prefer? Do they prefer convenience? Quality? Price? Or what else?

As part of a doctoral research customers were asked few questions in order to understand their preferences. A group of 120 Female respondents between the age group of 30-40 in and around Pune region was considered as the sample. They were asked few questions and one of the question was which all places they would not visit and why? Following is the data collected and the findings for the same:

<table>
<thead>
<tr>
<th>Findings</th>
<th>Quality is not good</th>
<th>Pricing is high</th>
<th>I am not comfortable shopping at this place</th>
<th>It is not convenient</th>
<th>It is time taking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will not visit nearby shop because</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will not visit Laxmi Road because</td>
<td>6</td>
<td>9</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will not visit Camp area because</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will not visit Big Bazar because</td>
<td>14</td>
<td>2</td>
<td>97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will not visit Reliance because</td>
<td>2</td>
<td>13</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will not visit Phoenix Market City because</td>
<td>37</td>
<td>8</td>
<td>23</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Will not visit Pune Central because</td>
<td>21</td>
<td>12</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. It is clear from the above data that out of 120 respondents almost 25% females have a perception that nearby shops do not have quality products.
2. Almost 20% females find shopping on Laxmi road is a time taking affair.
3. Again more than 20% females think that shopping at Big Bazar also is a time taking affair. Also 10% of females are worried about the quality at Big Bazar.
4. Little lesser than 20% respondents find shopping at reliance time consuming. Almost 10% female respondents do not find shopping at reliance a convenient option.
5. A fairly big chunk of price conscious females 31% find pricing at Phoenix Market City is high. Shopping at Phoenix is not comfortable for 6% females and again almost for 20% females it is not convenient.
6. 20% of the female respondents find pricing high at Pune Central. Exactly 10% of them find shopping at Pune Central inconvenient.

Part of further study also considered the income levels of these respondents and it was found that respondents with lower income levels were more price conscious.
CONCLUSION

It is clear from the above findings that people have preference for quality and they have a perception that nearby shops which are part of unorganized retail are not going to provide them quality products. So products where in quality matters respondents won’t go to nearby shops for buying such products.

Time also is another important factor which today’s customer finds crucial while shopping. He is not interested in wasting his precious time in order to search for parking place and walking all the way from one shop to another shop. Laxmi road being the high street area, crowded area and which again is a part of unorganized retail, customer finds it time consuming affair to shop at.

Big Bazar being a part of organized retail also people find it crowded during festive seasons and weekends. Same is applicable here also; time is precious every time. People are not happy waiting in long and never ending queue for billing purpose. Same is the case with reliance also but to a lower extent.

It was found during this research that low income group people are price sensitive. They have a perception that almost all high image retail malls which are representing the organized retail, offer quality products but at a high price. This perception is stopping them from visiting these malls. Another factor which was observed was being not comfortable while shopping at big malls. Low income group people especially females find it uncomfortable to shop at high image retail malls. Major reason for this low comfort level was shopping with a class apart people around you in these malls. Many of them shared that they ended up buying something expensive just because of the situation and people around them.

With all these preferences how is it possible for the organized as well as unorganized retailers to keep their customer satisfied?

THREAT OF NEW ENTRANTS

With the recent reforms about Foreign Direct Investment in retail industry in India gates are wide open for Wall-mart, Tesco and many more. Yes there is a direct threat from these entrants, because though they are new to India they are not new in this business. They have all tried and tested formula’s with them, with which they are ready to conquer Indian retail industry and retail players. Forget unorganized retail but for organized retailers also it is going to be tough to compete against these foreign players. Indian retail industry is full of intermediaries. Intermediaries which exist in the chain, which are part of distribution channel just for the sake of profit making without adding any value for the customer. With new foreign entrants entering the Indian retail industry all these intermediaries will be ruined out. Customer is probably expected to get quality product at a cheaper price. No intermediary will exist in the system without any value addition. Will our Indian retailers be able to do this? Be it organized or unorganized with these increasing pressures, how is the Indian retailer going to satisfy his customers and remain a profit maker also?

COLLECTIVE BARGAINING POWER OF SUPPLIERS

With recent reforms all producers and farmers are going to be the major suppliers. Though they may or may not have the real bargaining power, one thing is for sure that they definitely would get better returns as compared with today’s scenario. With all non value adding intermediaries removed from the system, producers and farmers would be the ones to get benefits. As of now Indian farmers are at the lowest level in this chain. With few middle layers removed they definitely will have a voice. India has seen many suicide cases of farmers, hopefully with these changes there will be a control on that and the one who truly deserves will get the needed.
COLLECTIVE BARGAINING POWER OF CUSTOMERS

Customer and customer satisfaction is the pillar of all this discussion. Definitely bargaining power of customer is day by day increasing. As said before through all these changes happening customer is likely to get a quality product at a cheaper price and when you have that option in your hand why will any customer go for any other option? In ideal situation yes this is true but considering the Indian market and the research work done, we have already discussed about the various factors which probably Indian customers consider while shopping at different places. From the findings it is very clear that we Indians have perceptions about various things and we live with those perceptions.

So will really unorganized retail sector vanish from Indian market? Is that possible? Will people stop buying things from nearby stores on daily basis and go to malls for food products and vegetables on daily or weekly basis? There are many such questions which will be answered as and when time comes.

Various formats have evolved over the past thousand years and have been influenced by social and economic developments of the era. Retailers today, are no longer dependent on manufacturers to sell what is available but have emerged as the new leaders in the marketing channel. Since independence, retail in India has evolved to support the unique needs of our country given its size and complexity. Changes in lifestyles, family structures, living spaces, aspirations and a corresponding rise in income levels have changed the consumer dynamics of the country in ways unimaginable even 10 years ago.

The need of the hour for Indian retailers is to develop systems and processes keeping the unique nature of the country in mind. In the retail trade, change is the only constant; survival in retail will depend on the ability to adapt to change.

Competitive pressure and customer satisfaction is for no doubt a boon for the retailers as well as customers. Customer being far more beneficial than the retailer for getting better products at competitive price. Retailers will also get to learn from the foreign players the new and innovative techniques in supply chain management. They also will get the exposure and an opportunity to compete against the global players and prove themselves. Is Indian retailer ready for this?

REFERENCES