Retailing Strategies in Agrarian Economy of Bihar

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Abstract— Even in an agrarian state like Bihar increasing number of retail stores is creating a competitive challenge for retailers and consumers as well. In view of this, the retailers are focusing more on offering innovative products, customized services, which are suitable for specific customer needs. The retailers will have to focus on understanding customer segments based on economic background, value, variety and aspirations of the customer. Retaining customers through loyalty in economically lower strata is another challenge which they must consider. The proposed study is based on investigating the key factors of organized retail stores and unorganized ones spread across Patna and nearby cities. Henceforth, finding the association among retailing potential, customers buying behavior and the society they come from – industrialized or agrarian. Their agricultural mindset does prohibit luxury and extravagant spends but psyche to be "in the league" drives the sales of Dove shampoo sachets, low end smart phones, Rs 10/- daily recharge and everything that's Lux but in smaller packs. The socio - economic background of the consumer does restrict the quantity and quality of consumption but the aspirations are unbound and needs to be addressed with specific product designs and innovative service and financial offerings.

Key Words— GSDP - Gross State Domestic Product; Demographic Profiles; Socio-Economic Factors; Social, Legal, Political Technical Factors.

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I. INTRODUCTION

We have grown up with going to the nearby Kirana shops for daily small purchases as ordered by our mother. In our country for decades the nearby grocery store has been the best place where we purchased goods for our house hold. We knew nothing about Organized Retail. Typically, all retailing happened through Unorganized Retail Sector. Bihar was no exception. But the retail scenario is changing very fast all over the country and more so in the state of Bihar.

Only few years ago, Bihar was pariah land. But the people's mandate has changed all that. For the first time ever since the retail revolution began in the country just over 12 years ago, Bihar is on the lips of every retail majors. Retail industry bigwigs made the most emphatic endorsement of Brand Bihar by announcing their decision to make aggressive foray into Patna and beyond. The sunrise state under the stewardship of progressive chief minister has become favourite topic discussed by retail industry CEOs at the two-day East India Retail Summit concluded in Kolkata in January last year. [TNN/S Neogi/08.01.2013].

With increasing income of neo Biharis and growing aspirations, the prospect of retail stores will be directly affected by consumers who have got ample option and opportunity to select the store of their own choice. Ghosh et al found that the phenomenal growth of retail in India is reflected in the rapid increase in number of supermarkets departmental store and hypermarkets in the country and Bihar appears to a fertile land.

Kishore Biyani-led Future group has already started Big-Bazar in Patna. They have drawn up big expansion plans. During his last visit to Patna Group Director (food strategy) of Future Group, Damodar Mall said Bihar's virgin market was an appetizing prospect for retailers and the company would go all out to meet the latent aspirations of customers in the state. "From now on, Bihar and Patna will rock. We plan to set up at least two more Big Bazaar and a Pantaloon store in the capital. Negotiations are underway for Big Bazaar outlets in Gaya, Muzaffarpur and Bhagalpur as well," Mall said. [TOI, Patna, 20.12.2011].

II. INDIAN RETAIL SCENAIO & BIHAR

The Indian retail industry is the fifth largest in the word comprising of organized and unorganized sector. Indian retail industry is one of the fastest growing industries in India, especially over the last few years. According to the 8th Annual Global Development Index (GRDI), revealed by consulting firm AT Kearney. Indian retail market is most attractive. Opening up of some organized retail store like Vishal Megamart, Reliance Fresh, Big Bazaar, Trent, Shopper's Stop, Pantaloons etc., are all set to change the taste, pattern, and buying behavior of the consumers. Some upcoming world's largest retail store by sales like Wal-Mart, Carrefour, Costco Wholesale. etc, are expected to change the consumer market in a large scale in all dimensions including the less developed states like Bihar where there is a very strong agrarian income and massive agricultural base. The opportunities in Bihar are immense for organized retail as almost 98% of retailing is still happening through unorganized sector. Bihar, home to 104 million people, according to provisional estimates in the 2011 census and ranked third by population behind Uttar Pradesh and Maharashtra, was always a draw for industry, but until the present government took charge in November 2005, the abysmal law and order situation and poor infrastructure kept investors away. But now, with both policing and connectivity having improved dramatically, industry sees no reason to be diffident. The Project Clearance Committee, Government of Bihar has approved Rs. 140000 crores proposals. Economists opine that Bihar will emerge as the next growth engine for eastern India. Hajipur, is the destination of biscuit major Britannia, which is setting up a 50,000-tonne bakery there, Hindustan petroleum Corp. Ltd. has put two state of the art sugar mills

in Lauria and Sugauli with Ethanol and captive power production. Power will be in abundance with Barh, Kahalgaon NTPC power plants and private power plants by Adani, Adhunik Steel and others; Ruchi Soya, is pumping Rs 200 crore into setting up agro-processing centres at Kaimur, West Coast Paper has plans for a board unit at Rohtas, Jaypee Associates is working towards a fly ash-based cement factory at Motipur.

III. AIM OF THE RESEARCH

The aim of this research is an economic & social study of retail in an agrarian state like Bihar. This research includes both traditional and recently developed retail areas in and around Patna and major cities of Bihar. Further this study is also an attempt to address issues related to retailing and marketing in an agrarian state in comparison to other developed ones and their relevance in shaping the future of retailing. Economics of agriculture based markets becomes one of the key issues influencing the choices of customers, customers' satisfaction and their preferences for a specific form of retailing.

IV. RESEARCH QUESTION

How the needs of customers are shaped by socio-economic and cultural background of an agrarian state like Bihar and how to formulate the strategies to address such needs?

V. LITERATURE REVIEW

Various studies on Indian retail market provide information in general and mostly are industrialized state centric. This is not an aberration as even today most of the modern retail stores are limited to metros and big cities. Overall there is less understanding of the markets where majority of customers belong to villages or small towns and they have their own aspirations and buying behavior atypical of the customers of metros.

Any retail customer visiting a retail store may looks for some economic & physical attributes such as Merchandising, Price, Store Atmosphere, Sales Personnel, Location, Promotions, etc. Different group of customer based on their demographic profile may seek distinct set of attributes for their decision making about retail selection. These attributes, especially price and value for money may be considered as factors responsible for attracting customer and encouraging them to select their retail stores – either organized or un-organized format of retail. Further, these attributes may lead to a customer who is fully satisfied and may play a key role in retaining a customer making them loyal to the store for buying commodities they use. This is more evident in case of states with lower GDP per capita as the snob value of organized retailing is least desired factor.

Identifying the economic and financial attributes leading to satisfaction and loyalty of customers - and finding out the crucial factors most sought by the customers across different socio-demographic profile are few of the challenging questions, the retailers will have to address in order to bring the customer to the store.

Not much research in the area of identifying the buying behaviour of customers, understanding the present retail scenario with respect to emergence of big retail chains in most of the nearby states, metros and towns according to the neo found customer taste, preferences, lifestyle and spending patterns has been carried out and typically for Bihar negligible research work in this field has been done. This is in spite of, India being one of the top ten retail markets in the world. We wish to use this research study to explore the mysteries associated with dismal organized retail scenario in this state by identifying the social, political, legal and economic factors that affect the retail business and customers alike across different demographic profile of the state.

The focus of this research is to identify the key factors and investigate the relationship between customers' buying capacity, their satisfaction with the purchase process, and their aspirational retail experiences based on customer demographic profile for retail stores in this state.

It is evident from initial literature review that since, Bihar represents a large and growing market opportunity and that modern retailing is bound to affect the retailing horizon of Bihar, it is imperative to explore the possibility of modern retailing that may dot the landscape of Bihar cities. In addition, it is an effort to know whether customers' preference will go through a sea change or both organized and un-organized sectors will continue serving different specific customer segments and needs. Thus, socio-economic effect of modern retailing.

VI. RESEARCH METHODOLOGY

From literature review we find that a remarkable study in the field of retail store and customer satisfaction was carried out by Dabholkar et al. who developed and validated scale to measure customers' perceptions for retail stores. It was argued that there were no any instrument to measure customers' perceptions of service quality for retail store that offer a mix of goods and services. Taking SERVQUAL as base (22- item scale for measuring consumer perception) Dabholkar et al. developed 28-item scale, consisting of 17 items from SERVQUAL and 11 items from various literature reviews.

The literature review that we have gone through, suggests that customer segmentation tool can be used tactfully to know the information for designing retailing strategies which will appeal to the tests of customers and may promote purchase in a typical retail format. This also indicates that demographic profile greatly influences customer satisfaction with a particular format of retailing and this runs across different consumer groups.

VII. DATA COLLECTION

Data were collected through an instrument developed using four service qality dimensions (tangibles, empathy, responsiveness, assurance) with 20 questions aiming at reducing questionnaire size and then improving the response rate. The answers were offered using a 5-point Lickert-type scale anchored by "1 – strongly satisfied" to "5 – strongly dissatisfied" based on (Baker, Grewal & Parasuraman, 1994).

Moreover, previous study (Parasuraman et al. 1994) suggested that customers have a range of expectations (named zone of tolerance) bounded by desired service (the service level customer**s** believe companies can and should deliver) and adequate service,

i.e. the minimum service level customers consider acceptable. Hence, two-part format questionnaire was created that generates separate ratings of "expected" (E), and "perceived" (P) with identical questions on a 5-point scales. This approach was carried out because it might be considered as diagnostically rich (Parasuraman et al., 1994). The assessment was targeted to customers in two separate analyses, calculated as **P minus E** assesses the service quality of a given dimension/question, Where:

- QS_k - service quality in the dimension k
- P_{jk} - performance perception in the dimension k to customer j
- E_{jk} - expected performance in the dimension k to customer j

Tabular Format of Questionnaire Structure

(Table 1.1)

Sections	Variables	Related questions	Scale	Form of answer
Section 1: Specifications of Respondents	Age	1	Ordinal	Five - answer
	Occupation	2	Nominal	Five - answer
	Income	3	Nominal	Four – answer
	Education	4	Nominal	Three – answer
	Marital status	5	Nominal	Two – answer
	Sex	6	Ordinal	Two – answer
Section 2: Perceptions of consumers	Tangible	P 1 – P 9	Ordinal	Likert - 5
	Empathy	P 10 – P 13	Ordinal	Likert – 5
	Assurance	P 14 – P 17	Ordinal	Likert – 5
	Responsiveness	P 18 – P 20	Ordinal	Likert – 5
Section 3: Expectations of consumers	Tangible	E 1 – E 9	Ordinal	Likert – 5
	Empathy	E 10 – E 13	Ordinal	Likert – 5
	Assurance	E 14 – E 17	Ordinal	Likert – 5
	Responsiveness	E 18 – E 20	Ordinal	Likert – 5

Data Tabulation

AGE (Table 1.2)

Data Series	Frequency	Percent
15 - 25	40	40.0
25 - 35	29	29.0
35 - 45	14	14.0
45 - 60	14	14.0
>60	3	3.0
Total	100	100.0

OCCUPATION (Table 1.2)

Data Series	Frequency	Percent
Student	39	39.0
Business man	21	21.0
Govt. Service	8	8.0
Private Service	28	28.0
Retd.	4	4.0
Total	100	100.0

INCOME (Table 1.3)

Data Series	Frequency	Percent
Below 1 lac.	43	43.0
1 lac. - 2.5 lac.	22	22.0
2.5 lac. - 5 lac.	24	24.0
Above 5 lac.	11	11.0
Total	100	100.0

EDUCATION (Table 1.4)

Data Series	Frequency	Percent
Intermediate	14	14.0
Graduate	51	51.0
Post Graduate	35	35.0
Total	100	100.0

MARITAL STATUS (Table 1.5)

Data series	Frequency	Percent
Married	51	51.0
Un Married	49	49.0
Total	100	100.0

SEX RATIO (Table 1.6)

Data Series	Frequency	Percent
Male	79	79.0
Female	21	21.0
Total	100	100.0

SUMMARY OF DATA COLLECTED (Table 1.7)

S.No.	Dimensions	E	P	Mean (E)	Mean (P)	Gap (P-E)	Rank	Sig. (2-Tailed T-Test)	Diff.
I	**TANGIBLE**								
	Mean Value			2.301	1.96	-0.341	4		
1	Physical facilities of the outlet are appealing	E1	P1	1.92	1.74	-0.18	18	0.083	NS
2	Outlet have modern looking equipment and fixtures	E2	P2	2.57	3.64	1.07	20	0	S
3	Presentation of merchandize is excellent	E3	P3	2.22	1.73	-0.49	9	0	S
4	Employees are well dressed	E4	P4	2.22	1.75	-0.47	11	0	S
5	Store layout makes it easier to find things	E5	P5	2.1	1.85	-0.25	15	0.02	NS
6	Store accepts all major debit and credit cards	E6	P6	1.54	1.57	0.03	19	0.762	NS
7	Store layout made it easy to move around	E7	P7	2.21	1.92	-0.29	13	0.003	S
8	Employees are neat and tidy in appearance	E8	P8	2.1	1.62	-0.48	10	0.002	S
9	Special facilities for handicap people	E9	P9	3.83	1.82	-2.01	1	0.002	S
II	**Empathy:**								
	Mean Value			2.66	2.007	-0.653	2		
10	Staff is polite	E10	P10	2.09	1.78	-0.27	14	0.005	S
11	Employee respond my request	E11	P11	2.74	2.14	-0.6	7	0	S
12	Employees give a pleasant parting remark	E12	P12	3.01	2.04	-0.97	4	0	S
13	Employee offer personal attention	E13	P13	2.8	2.07	-0.73	6	0	S
III	**Assurance**								
	Mean Value			2.795	2.155	-0.64	3		
14	Employees understand my specific needs	E14	P14	2.86	1.84	-1.02	3	0	S
15	Employees provide additional information	E15	P15	2.92	1.95	-0.97	4	0	S

16	Employees ask pertinent questions	E16	P16	2.88	2.67	-0.21	16	0.09	NS
17	Behavior of the employees develop confidence	E17	P17	2.52	2.16	-0.36	12	0.004	S
IV	**Responsiveness**								
	Mean Value			2.797	2.107	-0.69	1		
18	Receive personal attention	E18	P18	2.39	1.81	-0.58	8	0	S
19	Depend on the employees	E19	P19	2.74	2.55	-0.19	17	0.215	NS
20	Employees at the store pressurize customer for purchase	E20	P20	3.26	1.96	-1.3	2	0	S

VIII. DATA ANALYSIS

The data was collected from 100 people sample for both the expectation & perception regarding retail industry using 5- point scale with 1 (strongly agree) & 5 (strongly disagree). The average mean score for 4 dimensions & 20 statements of the expectation & perception is shown in table 1.7. Following are the findings:

The average (P-E) for tangible: -0.341, Empathy (-0.653), Assurance (-0.640), Responsiveness (-0.690).

Since, the gaps for all above four dimensions are negative so the perceived services are lower than the expected services. The ranks are given to all the 4 dimension on the basis of the service gap scores, the maximum gap is rated as rank 1 & minimum gap is ranked as 4.

Table also shows the rank that is provided to each of the 20 statements of the service quality dimensions and rank is given to all the 20 statements according to individual service gap score.

Unraveling the Data

The analysis of data provides gap scores which will indicate customer preferences and help find out the factors that affect their choices in selecting a retail store.

Tangibles (Ranked 4): It's quite amazing that tangibles which are obvious choice markers has taken the bottom seat. Probably physical attributes and comforts are now not the differentiator. This data shows that the customer in the four cities of Bihar give highest importance to responsiveness followed by empathy, assurance and lastly tangibles. This was evident during the observations we made while conducting the survey. Of late, almost all the retail outlets have improved tremendously on physical infrastructure but probably still lack in soft skills. The lack of courtesies were conspicuously absent. The respect and regard obviously reigns high in the psyche of farming based economy.

Empathy (**Ranked 2**): As evident along the duration of survey empathy ranking at 2 was not at all amazing. This means a customer may feel disappointed if the behaviour of retail staff is not polite. This jibes well with customer psych of this state. Generally agrarian societies have simple people with a simple lookout and approach to life. They are known to be quite emotional and attach a very high value to self-pride. That implies that a retail store person has to be very responsive to the customer's request and offers a personal attention.

Since, in Bihar it is customary to show respect to elders by salutation or word of respect, the customer expects that normal pleasantries and salutation are exchanged other than physical transactions of goods. This again supports the notion explained in earlier para that Bihar customers are an emotional lot and prefer better personal treatment than stock sales. This is not atypical of agrarian society and hence, the retailer has to keep this important factor in mind while recruiting the staff and thereafter in their training and development.

Assurance (Ranked 3): This survey is typical of a society still not ravaged by the vagaries of modern value loss.The value of -0.640 shows that customer finds Assurance the third most important factor in overall Servqual ranking in this state of Bihar. It became evident in the survey that here customers expect the service provider to understand and decipher her needs and provide accordingly solutions. This is probably due to the simplicity of nature of the customer and her inability to explicitly convey the desires. In an agrarian society, now this belief is reinforced that being extrovert or vocal is sign of indecency.

The retailer will have to develop the understanding of customers' dimensions like understanding of needs, providing additional information, asking pertinent questions, confidence inducing behaviour. The coy customer who is not forward coming also leads to an understanding that customer needs more education and awareness. This is proved from the demographic data and indicates that customers must be made aware of modern retailing practices. Assurance thus, is an important factor to be taken into consideration especially in an agrarian society.

Responsiveness (Ranked 1): As deliberated in Tangibles, the highest ranked factor is Responsiveness which is evident everywhere. Most of the retail shops we went we brazenly face this negativity of unresponsiveness. The retailers were happily engaged in their own pleasures while the customer was crying for their attention. The mean value of difference of (P-E) scores the highest of value of -0.690. This simply indicates that the retailers though have added physical tangibles, they are poor in addressing the

Responsiveness needs of the customers. The most annoying factor is delay or not listening to the customer at any retail place. The customer simply moves to the other retailer where she gets better response.

The survey clearly shows that P-E value of lack of personal attention stands at high of -0.58 and too much of pressurization to buy without giving customer the liberty of selection is at -1.30. This is the typical retailer behaviour that came out clearly during survey. The retailer often persuades customers and pressurize too to buy the product that he has rather than what the customer needs. This led to a feeling of being forced into a purchase where she is cajoled and felt cheated.

This also indicates that Economic and Demographic variables do not significantly influence the customer choice of retail stores. The real factor in deciding the retail store is strongly affected by the aspirations, attitude of the customer and not by her economic condition. The ease of EMI purchase and fast loans have diluted the economic pressure and arranging of finance for a customer when she decides to make a purchase.

IX. SUGGESTED STRATEGIES

This study makes it evident that even in an agrarian society the economical factor is not affecting purchase decisions. Rather, the strategies that a retailer should adopt in an agrarian society are:

1. Respond and be Responsive to every customer who knocks at your store. Remember in an agrarian economy no one is in hurry and they need retailers' attention. Retailers must practice 3 As: Attitude, Attention, and Affection.

2. Empathise with the customers. Behave with her politely as impoliteness will drive her away. In a civil society mainly based on agriculture people are simple and Spartan. They are known to be quite emotional and attach a very high value to self-pride. Train the retail team in EI (Emotional Intelligence). Only AI (Artificial Intelligence) won't suffice.

3. Every retailer has to develop Trust and Assurance with the customers and more so in a society that is based on simple, honest and straight values of life. These days all stores sell the same goods and services are also comparable. The differentiator is the trust of the retailer which he has earned in the market. Though at 3rd place in this study's ranking, nevertheless it is extremely important and should be earned even at the cost of some financial loss.

4. In an agrarian society tangibles score low. May be the reason is that due to complexities of modern retailing, the general customer feels awed and probably feels insecure. The simple attitude make the agro society citizens a bit apprehensive of the modern way of transactions and e commerce. The retailers' responsibility here gains more importance as they have to open up, welcome the customer with open hand, assure them of best of products and services, and take them in confidence that they will not be fleeced.

However, with the increasing income in agro sector the performance of modern retailing is bound to jump immensely and prospect is brighter than ever in this state of Bihar. Prospect of Modern Retailing in Bihar is bright even if the socio-economic indicators of the state are not at par with other states. However, increasing GSDP and per capita income of the people, forward looking government with business friendly policies are bound to propel this state in the league of top retail markets.

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