

# CHAPTER 1

## INTRODUCTION

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### 1.1 Introduction

Apparel retailing has the highest share (8% with the value of USD 40 billion in 2013), after food and groceries, in the Indian retail market (Technopak report, 2014a). The value was USD 65 billion in 2017 and likely to reach USD 85 billion in 2021 (Deloitte, 2020). Further, apparel retailing holds the first position in organized retailing and growing rapidly (Venkatesh et al., 2015). In United States (US) and European Union (EU), the share of household consumption of apparel is declining, and their retailers are seeking a favorable marketplace for their products (Technopak report, 2020). India can be an attractive place for foreign retailers. Flexible government initiative/policy (e.g., Digital India, GST, Insolvency and Bankruptcy Code, relaxation in Foreign Direct Investment (FDI) policy and others), increased disposable income, rising middle-class consumer and young consumer belt cannot only play a role as a catalyst for foreign investment but encourage the traditional domestic retailers to adopt organized retailing.

The above discussion has shown that the competition is going to be fierce in the future. For the retailing business, the customer is the center of concern. In this competitive era, customer retention can play a winning role in survival and growth for any retail firm. Customer retention is beneficial for the retailers, like a retained customer can pay higher prices for the products and services in comparison to new customers without attracted to promotional offers (Ang and Buttle, 2006) and can save the cost associated with recent customer acquisition. In addition, customer satisfaction increases customer loyalty that reflects customer retention (Diaz, 2017). Retailers' better quality of offerings over their competitors can satisfy the customers and make them loyal. But, this is a challenging task to retain the customers over a period of time.

First of all, it is required to understand the customers' needs and expectations (Hanaysha, 2018). Further, it is necessary to understand competitors' offerings. Customer needs and competitors' offerings can enable retailers to position their stores in customers' minds over their competitors with better offerings. Hence, it has also known as competitive positioning (CP).

The Indian retailing sector is categorized into two sections, one is organized, and the other is traditional, also known as unorganized. Most of the market is captured by the traditional retailer in India. However, in this decade, the traditional retailer adopted organized retailing rapidly due to the new tax system rule (e.g., GST). GST enables retailers to source their goods from the best vendors from anywhere in India due to tax neutrality (Deloitte report, 2017). In addition, the Indian government has made GST registration mandatory for all retailers. Therefore, traditional retailers and new entrants are turning to organized retailing.

Traditional and new entrants face three-sided competition from domestic corporate retailers and others from foreign retailers. In this situation, retailers need to adopt a competitive positioning strategy. This chapter examines the apparel retailing sector, emphasizing the role of customer perception for the quality of offerings provided by retailers.

## **1.2 Global scenario of apparel retailing**

Globalization and technological advancement set the next level of competition in the apparel retailing sector. According to the Technopak report (2015), the fashion business witnessed several tectonic shifts; one is the changeover of control from brands to retailers in global fashion trends (e.g., Zara, Primark, H&M, and Uniqlo).

Due to global economic instability, a decline in apparel retailing consumption in the United States and the European Union has been observed. Significant declination has been observed in the USA, Germany, France, and the UK. Whereas China and India's Per capita apparel consumption can increase by 50% and 25% respectively between 2011 and 2015, the trend seems to continue until 2020 (Technopak report, 2014b).

### **1.3 Apparel retailing in India**

In 2015, India ranked third as a textile exporter and sixth as a clothes exporter (WTO Report, 2016). Apparel retail holds the second position of market share after groceries. FDI created two aspects of a coin for the Indian retailers: to get fierce competition from international retailers and to get an opportunity to learn international best practices. As of 2013, corporatized retail has a 19 percent share of the Indian apparel market (Technopak report, 2014a). Another research report showed that by 2020, the Indian apparel market is likely to reach USD 130 billion, with the major categories being men's wear (43 percent), women's wear (37 percent), and kids' wear (20 percent) (Deshmukh and Mohan, 2017).

Apparel retailing is dominating in the field of organized retailing (Venkatesh et al., 2015). In current trends, most retailers lack a competitive strategy for their store and their supply chains. Sahay and Mohan (2003) confirmed that almost one-third of the Indian companies had no supply chain strategy. India is the fifth most attractive place for foreign retailers. An increasing young population, urban demographics, customer awareness about products and services, and attraction towards western fashion; affects and force the retailers to change their competitive strategy.

A complex tax structure hinders domestic and foreign investment in the retail sector. GoI introduce the new tax structure as GST to simplify the complexity. GST benefited the retailers in excising duty elimination, lowering input costs, lowering inventory costs (e.g., refund of Tax on products for resale), and changing their system and transition management (IBEF report 2020). Relaxation in FDI norms also helps make the Indian market a good place for doing business (IBEF report, 2020). As a result, the organized retailing share in 2017 was 9%, double (18%) in 2021 (IBEF report, 2020).

#### **1.4 Background and Motivation**

The finding shows that the Indian apparel retailers adopt organized retailing rapidly based on the above discussion and extensive literature. Then, all stakeholders need to keep thoughtful attention throughout the changeover. There are many cases of failure of organized retailing in India (e.g., Vishal group, Subhiksha Retail chains, Trinethra, Fab city, and Varkeys group) (Dart consulting, 2012). Vishal group had 200 stores and shrunk to 100 due to lack in better location, poor economic and poor resource utilization (Forbes India, 2019). Later, the Vishal group comes back with better operations and location strategies.

As the products engineering process is pre-determined (after getting customer understanding and defined product based on that understanding) and stable operations, the retail service quality considers the customer an integral part of whole processes (Trappey et al., 1996). In the retailing sector, customer demand is diversified and uncertain then value perception is used at the place of customer requirements for quality assessment (Fung et al., 1998). Due to the diversity of Indian culture, customer satisfaction is the key concern for the Indian retail context. Some studies assess customer satisfaction in the retail sector, but few consider tier II city and apparel

retailing for study. However, in this research, a few services have considered that customers can be perceived, creating paucity in understanding the uncertain demand. To overcome this challenge, it stimulates a new research field. For survival and growth, retailers need to serve the value-added services that the customers can perceive.

India ranked as the fifth-largest global destination (IBEF report, 2020), and understanding value-added service requirements is limited. Retailers need to develop a framework to confirm the value-added service perception of customers. The customers' value perception and retailers' competitive performance requirements (strengthening factor) need to be structured effectively. This framework can help retailers create, manage, and evaluate their positioning strategies in the Indian apparel retailing market. To achieve competitive positioning in the customers' minds, retailers need to implement a competitive positioning strategy.

Competitive positioning strategy implementation considers the Customer value perception (utilitarian dimension and hedonic dimension). The utilitarian dimension deals with value for money and value for a time. In contrast, hedonic dimensions deal with feelings and emotions from the shopping experience and symbolic and social aspects of the shopping experience (Rintamäki and Kirves, 2017). Based on these dimensions, possible CVPs are identified from the literature (chapter 2) and validated by experts for the apparel retailing context. Here is an effort to help retailers for fulfilling customer value perceptions and implementing a competitive positioning strategy. The conceptual framework (figure 1.1) consists of CVP, relation with customer satisfaction, the impact of customer satisfaction on loyalty, VPs needed for identification of strengthening factors (enablers), prioritization of strengthening factors with the help of CVPs, and the implementation barriers to help retailers to implement the competitive positioning strategy. This research aims to find the possible CPVs that

impact customer satisfaction to retain the customer. A higher customer satisfaction rate can get the desired retention level (Berné et al., 2001). Thus, the primary emphasis of the research is on customer satisfaction rather than retention. The definition of terms mentioned in figure 1.1 will discuss in chapter 2.

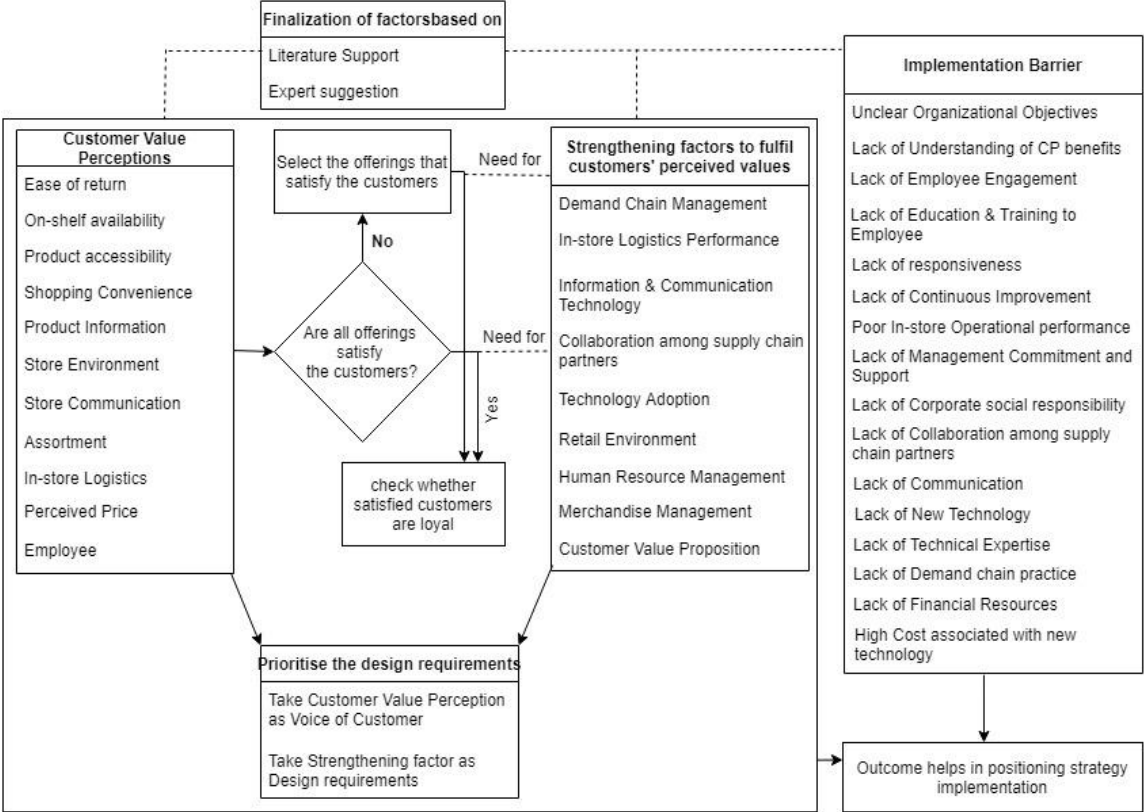


Figure 1.1: Conceptual Framework of the study

**1.5 The objective of research work**

There is the prevalence of organized retailing in the current Indian scenario. This section shows the issues and problems that the thesis attempt to address based on the above discussions. This research’s vital premise is to propose a framework for providing guidelines for the decision-makers and managers in policy formulation concerning competitive positioning strategy implementation. Succinctly, the research objective of this thesis is as follows:

- **RO1:** To design and develop a Proposed Instrument for assessing customer value perception and predict the effect on loyalty.
- **RO2:** To identify the strengthening factors of competitive positioning and establish interrelationships amongst them.
- **RO3:** To propose an integrated framework for system design for achieving an improved level of customer satisfaction.
- **RO4:** To Analyze the interaction among barriers of competitive positioning strategy implementation in retail.

### **1.6 The novelty of the research work**

In the literature, most works were from competitive positioning in Western countries, and some of them in the context of Indian metro cities. Moreover, these researches focused either on cost controlling or pure market-based. There is a complete absence of retail competitive positioning strategy in any Indian study to the best of our knowledge. This study assesses the customers' perceived values from one of the tier-II cities like Varanasi. Further, this study identifies the factors that can strengthen the competitive positioning strategy and establish the contextual relationships among these factors. It is required that customers' value perception and strengthening factors of competitive positioning be related in a structured manner. It is also essential to know about the resources and related barriers to competitive positioning strategy implementation barriers. This study can help the managers, decision-makers, and policymakers in the way of strategy implementation.

### **1.7 Organization of thesis**

The thesis is divided into eight chapters and starts with a general introduction to the research work. Chapters 4 to 7 present the research related to mentioned objectives of

the study. An overview of thesis chapters is given below, followed by Figure 1.1 that shows the structure of thesis organization.

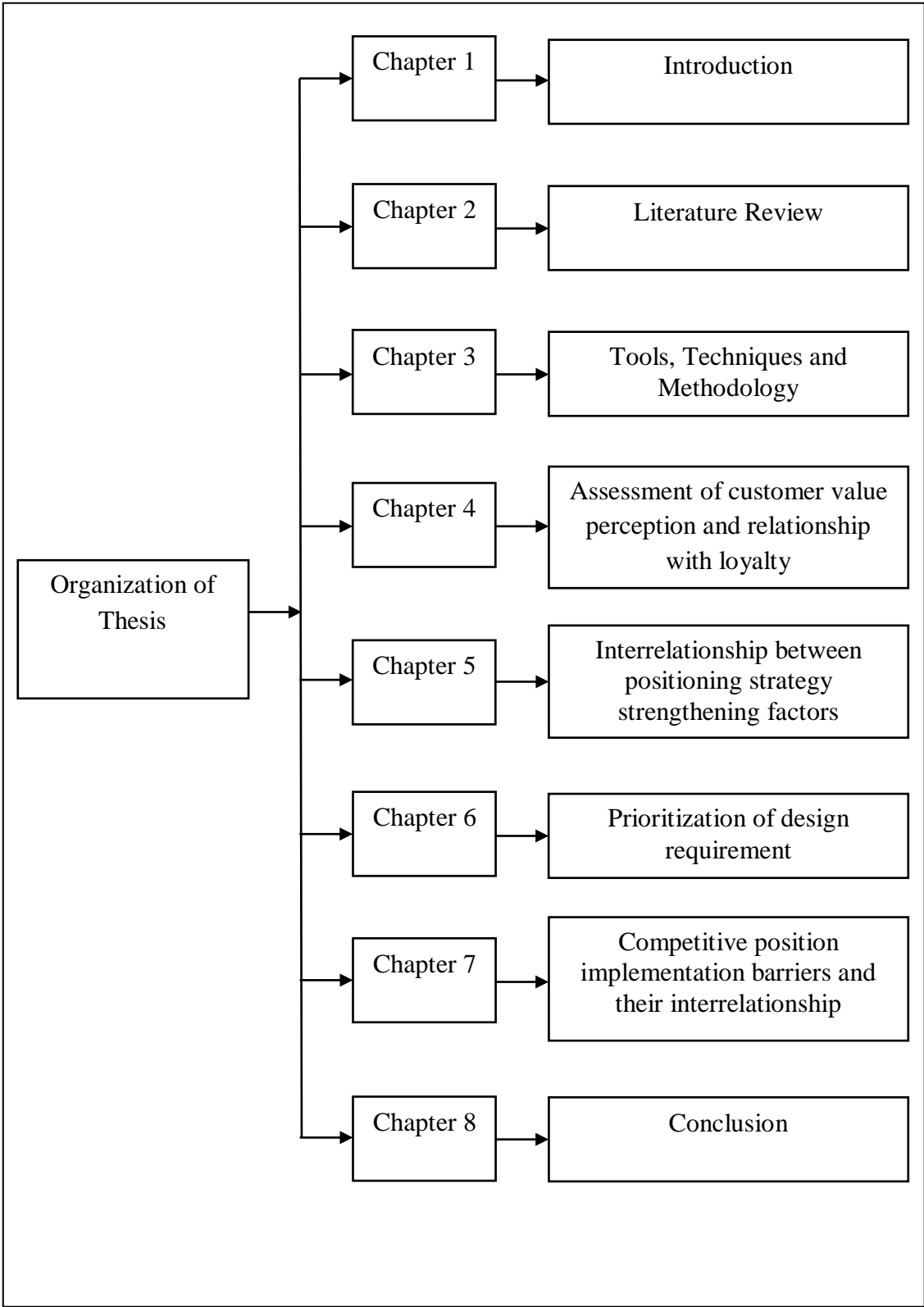


Figure 1.2: Structure of thesis organization

## **Chapter 2: Literature review:**

The purpose of the literature is to explore the diverse range of organized apparel retailing and positioning strategy issues. Further, the literature is divided into three sections based on the research objectives. The first section explores the diverse range of assessment models of customer value perceptions regarding organized apparel retailing. The second section discusses the literature on strengthening factors for retail competitive positioning strategy (CPS). The third section provides extensive literature on resource-related barriers in the way of CPS implementation. For the classification of barriers, resource-based theory (RBT) and dynamic capability were used.

## **Chapter 3: Tools, Techniques, and Methodology**

This chapter discusses tools, techniques, and methods that are used in the research work. Based on objectives, this chapter is divided into four subsections. The first section shows the exploratory factor analysis (EFA), confirmatory factor analysis (CFA), structural equation model, and application. The following section shows the identification of strengthening factors and their contextual relationships with the help of interpretive structural model (ISM), Cross-impact matrix multiplication applied to classification (MICMAC). Further, Fuzzy-MICMAC (FMICMAC) discusses as a method to overcome the issues of MICMAC.

Further, customer requirement is not accurate for retailing scenario due to diversity in demand. Therefore, customer value perception is used at the place of customer requirements. The next section uses quality function deployment (QFD) for service planning that deals with customer value perception more systematically. QFD tool and its application are discussed in this section. The last section identifies barriers in strategy implementation and their causal relationships with the help of Grey's theory and Decision Making Trial and Evaluation Laboratory (GDEMATEL).

#### **Chapter 4: Assessment of customer value perception and relationship with loyalty**

With extensive literature support, this chapter selects the several major customer value perception factors with their scale items. A questionnaire was developed and made it contextually relevant with the help of experts. A survey was conducted to measure the customers' perception regarding values offered by the apparel retailers. The responses were analysed using exploratory factor analysis (EFA). To measure customer value perception, customer satisfaction is used.

Further, confirmatory factor analysis (CFA) was used to check the reliability and validity of factors. To check the customer value perceptions' impact on customer satisfaction, a total of seven hypotheses were developed. The last hypothesis was used to study the impact of customer satisfaction on loyalty. Hypotheses were tested using structural equation modeling with the help of SPSS AMOS software. It found that all hypotheses were positive and significant.

#### **Chapter 5: Interrelationships between positioning strategy strengthening factors**

This chapter deals with the strengthening factors of competitive positioning strategy and their interrelationships. Factors are identified from extensive literature support and finalized by the expert suggestion. These factors are the design requirements, and the customers can directly perceive their outcomes. The ISM approach and MICMAC are used to establish the interrelationship among strengthening factors and classify the strengthening factors. MICMAC has some limitations, and to overcome these, FMICMAC is used to classify and place the factors in the hierarchy. This chapter's outcomes help managers and decision-makers identify the important strengthening factors and put their more considerable management attention on those factors.

## **Chapter 6: Prioritization of design requirement**

In this chapter, customer value perception and design requirements are combined to create a framework to identify the urgent design requirements for developing the competitive positioning strategy. This approach helps the managers by prioritizing the factors that need urgent improvement to satisfy the customers. These design requirements are prioritized using QFD. The chapter is divided into four sections. The first section takes the customer value perceptions from chapter 4 as demand-side items. The second section takes the strengthening factors from chapter 5 as design requirement items. The third section establishes the interrelationships among demand-side items. The fourth section shows the interrelationships among design requirement items. With these data, a relationship between demand-side items and supply-side items establishes under this framework. Further, key findings are discussed before the conclusion based on the analysis discusses in earlier sections.

## **Chapter 7: Implementation barriers and their interrelationship**

This chapter discusses how lack of proper utilization of resources can play a role of barrier in strategy implementation. Further, barriers are classified based on resource-based theory (RBT). The causal relationship of barriers can help the managers and decision-makers resolve potential barriers to strategy implementation. To find the causal relationship decision-making trial and evaluation laboratory (DEMATEL) is used. But, there may be many ambiguities in the subjective opinion. Therefore, Grey's theory is used. Findings are correlated with previous studies. A total of seventeen barriers are found in this study.

## **Chapter 8: Conclusion**

This chapter concludes the study's significant findings, along with its recommendation, future scope, and limitation. It also discusses the specific contributions.

Finally, this thesis identifies the customer value perception for India's tier II city in chapter 4. The 5<sup>th</sup> chapter deals with service performance (strengthening factors) items for a competitive positioning strategy. The 6<sup>th</sup> chapter combines these findings to develop an integrated framework to prioritize the strengthening factors for enhanced customer satisfaction and help achieve competitive positioning in a better way. The seventh chapter deals with implementation barriers