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Competitive Advantage Developing Techniques among Retailers with Special Reference to Home Appliance Shops

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Abstract: *The world is changing fast as well as the retail sector is also undergoing sudden changes and it calls for constant innovation on the part of the retailer. A retailer have to keep track of the ever changing demand of the consumers, competition, the changes in technology and the socio economic climate of the nation that he is operating in. In these changing situations in order to survive and grow; to attract and to maintain customers; and to earn profit every retailer have to concentrate on competitive advantage. This paper deals with competitive techniques adopted by home appliance shops. It is relevant in today's scenario since the numbers of retailers are increasing rapidly. To survive and to earn profit retailers should know how to compete with their competitors.*

Keywords: *Competitive advantage, Strategies, Home appliance shops, Retail sector, Competitive edge, Innovation.*

I. INTRODUCTION

A competitive advantage is a position of superiority on the part of the firm in some function / factor / activity in relation to its competition. It is through this superiority that the firm attempts to achieve a comfortable position for itself in the relevant industry. The superiority will cover dimensions like resources, capabilities and technology. Maintaining a competitive advantage requires a firm to continue focusing on all four generic building blocks of competitive advantage – efficiency, quality, innovation and responsiveness to customers and to develop distinctive competencies that contribute to superior performance in these areas.

According to Peter D. Bennett, “competitive advantage exists when there is a match between the distinctive competencies of a firm and the factors critical for success within its industry that permits the firm to outperform competitors”.

A competitive advantage is an advantage over competitors gained by offering consumers greater value. If a retailer's strategy results in superior performance, it is said to have a competitive advantage. A company or retailer is said to have a competitive advantage over its rivals when its profitability is greater than the average profitability of all other companies competing for the same set of customers. The higher its profitability relative to rivals, the greater its competitive advantage will be. A company has a sustained competitive advantage when its strategies enable it to maintain above average profitability for a number of years.

This paper attempted to identify the techniques adopted by home appliance shops in developing and maintaining competitive advantage.

II. REVIEW OF LITERATURE

A literature review is a “critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles”. A literature review is an evaluative report of information found in the literature related to the selected area of study.

Donna McGuinness, Karise Hutchinson, (2013):"Utilising product knowledge: Competitive advantage for specialist independent grocery retailers", the purpose of this paper is to demonstrate how product knowledge is utilized by specialist independent grocery retailers (SIGRs) and how it can enhance competitive advantage for these firms. It was found that four main resources created the concept product strategy and ultimately explained the success of SIGRs. These relate to knowledge of how to provide a unique product; knowledge of identifying and sourcing from quality suppliers; knowledge of recipes, preparation and storage methods; and knowledge of how to merchandise products. It is argued that if these specialist grocery firms can achieve sustained competitive advantage from building and exploiting product knowledge, so too can other independent retailers in the sector.

Michael E. Porter (2008):"Competitive Advantage: Creating and Sustaining Superior Performance", this book is about how a firm can create and sustain a competitive advantage. The book reflects his deepening belief that the failure of many firms strategies stems from an inability to translate a broad competitive strategy into the specific action steps required to gain competitive advantage. The concepts in this book aim to build a bridge between strategy formulation and implementation.

Dirk Morschett, Bernhard Swoboda, Hanna Schramm-Klein(2006): The objective of this research "Competitive strategies in retailing an investigation of the applicability of Porter's framework for food retailers" is to develop a framework for competitive strategies in food retailing. Managers of food retail channels were surveyed in order to derive the basic dimensions of competitive advantages that companies attempt to achieve in this industry sector. In a second study based on consumers, the central dimensions of retail store perception were investigated. Both studies reveal that three basic types of competitive advantage seem to prevail in food retailing: (1) price, (2) quality (with a comprehensive set of quality-orientated instruments, including customer service), (3) convenience. We find quality leadership and price leadership to be independent factors which can be achieved without conflicting with one another.

According to **Winer (2004)**: Developing competitive advantage centers on three key components. Winer states first that competitive advantage must be able to generate customer value. Customer value can be defined by the customer in terms of lower price, speedy delivery, convenience, or some other characteristic. Second, the enhanced value of the product or service must be perceived by the customer. Finally, effective competitive advantage requires that whatever business tactic used should be difficult for business competitors to copy.

Michael J. Rubach, Jeffery E. McGee (2001): In a study conducted by them namely "The Competitive Behaviors of Small Retailers: Examining the Strategies of Local Merchants in Rural America", they identified that mass merchandisers, discount chain stores, category killers, and e-commerce are changing the retail industry through innovations in marketing and service. Driven by increased competition and discriminating customers, small, local retailers are searching for ways to gain and sustain competitive advantage. This study examines the competitive behaviors and performances of 236 retailers located in rural Nebraska. The findings indicate that retailers which adopted competitive behaviors with a goal of low cost/low price leadership were most successful. However, retailers using a combination or value-oriented strategy were also successful.

III. OBJECTIVE OF THE STUDY

The present study is made with specific reference to home appliance shops at Palakkad district, Kerala. The main objectives are:

- To study about competitive advantage in retail sector.
- To identify the factors giving a competitive edge to the Home Appliance shops.
- To understand about the various techniques adopted by retailers in developing competitive advantage.

IV. METHODOLOGY

The study used both primary and secondary data. Secondary data was collected from various publications and internet. Primary data were collected from 50 Home Appliance shops by using questionnaire and interview method. Random sampling method was used to select sample.

V. AREA OF THE STUDY

The study covered Palakkad Town in Kerala, India. There were nearly 4000 retailers at Palakkad Town it includes about 68 home appliance shops. This study covers 50 home appliance shops among 68 in the palakkad city.

VI. PERIOD OF STUDY

The study was conducted during the time period of June to September 2015.

VII. ANALYSIS AND INTERPRETATION

The collected data were tabulated and processed with the help of appropriate statistical tools in order to accomplish the objectives of the study. The collected data were carefully classified and tabulated. The statistical techniques used for data analysis is simple percentage, and Chi square analysis.

Table No.1:
Table showing years since establishment of shops

No. of years	No. of Shops	Percentage
Below 5	13	26
5-10	17	34
10-15	4	8
15-20	10	20
Above 20	6	12
Total	50	100

Source: Primary data

Interpretation:

The above table shows that out of 50 respondents 34% of the shops are having the experience of 5-10 years, 26% of the shops are having the experience of below 5 years, 20% of the shops are having the experience of 15-20 years, 12% of the shops are having the experience of above 20 years and remaining 8% of the shops having the experience of 10-15 years.

Table No.2:
Table showing the location of the shop

Location	No. of Shops	Percentage
Residential street	4	8
Shopping Mall	2	4
Within the town	25	50
Shopping street	12	24
Outskirts of town	7	14
Total	50	100

Source: Primary data

The above table shows that out of 50 respondents 50 % of the shops are located within the town, 24% of the shops are located in Shopping Street, 14 % of the shops are located in outer areas of the town, 8% of the shops are located in Residential Street and remaining 4% of the shops are located in Shopping Malls.

Table No.3:

Table showing factors helping to face competition

Factors	No. of Shops	Percentage
Geographic Location	7	14
Highly Skilled salesmen	4	8
More resources	6	12
Innovative product	21	42
Better understanding of customer	12	24
Total	50	100

Source: Primary data

The above table shows that out of 50 respondents 42% of the shops use innovative products, 24% of the shops use better understanding of customer, 14% of the shops uses geographic location, 12% of the shops use more resources and remaining 8% of the shops use highly skilled salesmen.

Table No.4:

Table showing factors giving competitive advantage

Factors	No. of Shops	Percentage
Low cost of operation	2	4
Better customer service	10	20
Customer satisfaction	12	24
High Quality product	21	42
Competitive price	4	8
Experienced Staff	1	2
Total	50	100

Source: Primary data

The above table shows that out of 50 respondents 42% of the shops are having opinion that High Quality product gives them competitive advantage and only 2% of the shops have the opinion that Experienced Staff gives competitive advantage.

Table No.5:

Table showing competitive strategies adopted

Factors	No. of Shops	Percentage
Cost Leadership strategy	7	14
Operational Effectiveness strategy	8	16
Differentiation strategy	16	32
Innovation strategy	19	38
Total	50	100

Source: Primary data

The above table shows that out of 50 respondents 38% of the shops are adopting innovation strategy, 32% of the shops are adopting differentiation strategy, 16% of the shops are adopting operational effectiveness strategy and remaining 14% of the shops are adopting cost leadership strategy.

Table No.6:

Table showing techniques adopted to remain competitive

Factors	No. of Shops	Percentage
Innovative products	14	28
Customer relationship	10	20

Promotion techniques	11	22
Efficient Staff & Salesmen	4	8
Continuous after sales service	9	18
Marketing Research	2	4
Total	50	100

Source: Primary data

The above table shows that out of 50 respondents 28% of the shops use innovative products to remain competitive and only 4% of the shops use marketing research.

Analysis of hypotheses

The chi- square test is applied to test the goodness of fitness to verify the distribution of observed data with assumed theoretical distribution. It is defined as

$$X^2 = \frac{(O - E)^2}{E}$$

E

Where, O = Observed Frequency

E = Expected Frequency

In this regard the following hypothesis is framed:

H₀ = There is no significant relationship between location and techniques adopted to remain competitive.

Table No.7

The location and competitive techniques are analyzed with the help of chi – square test which is represented as follows:

Variable	Innovative Products	Customer Relationship	Promotion Techniques	Efficient Staff	After sale Service	Marketing Research	Total
Residential Street	1	1	1	0	1	0	4
Shopping Mall	1	0	0	1	0	0	2
Within the Town	7	4	4	3	5	2	25
Shopping Street	3	3	4	0	2	0	12
Outskirts of Town	2	2	2	0	1	0	7
Total	14	10	11	4	9	2	150

Source: Primary data

Calculated Value = 12.4998

DF = (r-1) (c-1), (5-1) (6-1)

Table Value of chi-square at 5% level of significance = 31.410

RESULT

The calculated value is less than the table value, so we accept null hypothesis. That is there is no significant relationship between location and techniques adopted to remain competitive.

Table No.8
WEIGHTED AVERAGE- Factors giving competitive advantage

Factors	R ₁ (5)	R ₂ (4)	R ₃ (3)	R ₄ (2)	R ₅ (1)	Total	Rank
Low cost of operation	2	3	8	17	20	6.66	5 RANK
Better customer service	10	16	12	8	4	11.33	3 RANK
Customer satisfaction	15	20	8	7	0	12.87	2 RANK
High quality product	25	22	3	0	0	14.8	1 RANK
Competitive price	1	4	11	15	19	6.86	4 RANK

Source: Primary data

RESULT

The weighted average rank analysis shows that majority of the shops have given first rank to the factor high quality product, second rank given to the customer satisfaction, third rank given to the better customer service, fourth rank given to the competitive price and final preference given to the low cost of operation .

ANOVA

H₀: Shops belonging to different age groups have same opinion relating to the factors such as low cost operation, better customer service, customer satisfaction, high quality product, competitive price and experienced staff.

Table No. 9

Source of Variation	Sum of Squares	Degree of Freedom	Mean Squares	F Ratio	Table Value
Between Group	18.33	4	4.5834	1.4633	2.76
Within Group	78.31	25	3.1322		
Total	96.64	29			

Source: Primary data

RESULT

Here calculated value is less than table value, hence accept null hypothesis.

VIII. SUMMARY OF FINDING

- Out of 50 shops, 34 percent of the shops are having the experience of 5-10 years.
- Majority of the shops (50 percent) are located within the town.
- Most of the shops (42 percent) are of the opinion that innovative products offered by them helps them to face competition.
- Most of the shops (42 percent) are of the opinion that High quality products give them competitive advantage.
- Most (38 percent) of the shops mentioned that they adopted Innovation strategy to gain competitive advantage.
- It is observed that most of the shops (28 percent) use innovative products to maintain their competitive position.

IX. SUGGESTIONS

- The Home appliance shops should try to give more emphasis on reducing the cost of operation.
- They should try to utilize their staff as a source of competitive advantage.
- Home appliance shops should become aware of marketing research. They should use research as a tool to create and maintain their competitive position.

- They should try to concentrate on competitive pricing to attract the customers.
- Home appliance shops should provide better service after the sales to retain the customers and also maintain good will.

X. CONCLUSION

A competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Thus in order to survive in this competitive world a firm or a retailer should offer superior value to their customers than what is offered by their rivals. Many of the home appliance shops at Palakkad town, Kerala are offering innovative products to develop and maintain their competitive position. At the same time many of them are trying to develop good customer relationship by offering continuous customer service. It can be concluded that developing competitive advantage should be the new mantra towards profit.

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