

GENERIC COMPETITIVE STRATEGY AND CUSTOMER RETENTION: A STUDY OF THE SUPERMARKETS IN VAVUNIYA DISTRICT

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ABSTRACT

A supermarket is a large form of the traditional grocery store. It is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box market. Supermarket focuses not only the cities but also the suburbs and villages. The Changes in social life, trends, technology have also significantly affected the industry. The reluctance that prevailed with people to buy from super markets at the beginning was gradually disappearing. Consequently, traditional retailers are now facing a great challenge of competing with existing super markets mainly to retain the customers by using some strategies. The objective of this study is to analysis the competitive strategy and customer retention of Supermarkets in Vavuniya District. Cost-leadership, differentiation, and focus are considered independent variables of this study and customer satisfaction, service quality, employees' participation, and customer relations are considered as dependent variable. Data are collected from the customers of supermarkets in Vavuniya District. Totally 250 customers were selected as sample of this study based on their income above LKR 50000/=. Data were analyzed using the Statistical Package of Social Sciences (SPSS 16). Correlation and Regression analysis of independents and dependent variables were made in this study. The finding of present study indicated that the positive relationship between generic competitive strategy and customer retention were observed. But differentiation strategy is highly correlated with customer retention of supermarkets in Vavuniya District.

Keywords: Cost-leadership, differentiation, focus, customer retention

INTRODUCTION

A supermarket is a large form of the traditional grocery store. It is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box market. Supermarket focuses not only the cities but also the suburbs and villages. The Changes in social life, trends, technology have also significantly affected the industry. The reluctance that prevailed with people to buy from super markets at the beginning was gradually disappearing. Consequently, traditional retailers are now facing a great challenge of competing with existing super markets mainly to retain the customers by using some strategies.

Porter's framework, a business can maximize performance either by striving to be the low-cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. A low-cost strategy effectively implemented when the business designs, produces, and markets,

a comparable product more efficiently than its competitors. A differentiation strategy is effectively implemented when the business provides unique and superior value to the buyer in terms of facets such as product quality, special features, or after sales service.

Before 2009 only three supermarkets were in Vavuniya District. One is owned by Government and other two are owned by private. After the 2009 another two supermarkets started to functions in Vavuniya. People in Vavuniya like to purchase the products at supermarkets. Why people like supermarket because many facilities are available in supermarkets than the grocery shops. Such as parking facilities, selection of products, wide range of products, quality of services and so on. Supermarkets are one of the service organizations. It is selling the products to customers. So Organizations are continually looking for innovative ways to acquire, increase and retain business because the cost of losing customers is rising. Service is viewed as an important factor in customer retention. Successful organizations define what customer retention means for business and create the necessary measures to quantify their retention rate. The objective of this study is to analysis the competitive strategy and customer retention of Supermarkets in Vavuniya District.

METHODOLOGY

Five supermarkets are functioning in Vavuniya Town area. Randomly 50 customers were selected from each supermarket for the study purpose. Totally 250 customers were selected as sample of this study based on their income. The researcher considers the monthly income of customers of the supermarkets above LKR 50000/=.

Data were collected from customers of the supermarkets in Vavuniya District. For collecting the data structured questionnaires issued among the customers of the supermarkets based on the independent and dependent variables.

Data were entered into SPSS 17.00 package for analyzing the variables. First reliability of variables was measured in this study. Measuring the reliability, Cronbach alpha was calculated. The Cronbach's alpha is expressed as a correlation coefficient, and its value ranges from 0 to +1. By convention alpha should be 0.70 or higher to retain an item in a scale. The Cronbach alpha of variables of this study is 0.75. It is greater than the cut off rate.

Adequacy of data sample test was done in this study. KMO and Bartlett's test were measured for adequacy of data. The value sampling adequacy KMO and Bartlett's method is more than 0.5. The study indicated that all variables adequacy are in the range between 0.5 and 0.7. It is indicating that the values of adequacy are mediocre.

Relevant literatures survey used in the present study related with competitive strategy and customer retention.

Hypotheses

Following hypotheses are derived for the present study.

- H₁: There is a positive relationship between cost leadership strategy and Customer retention
- H₂: There is a positive relationship between differentiation strategy and customer retention
- H₃: There is a positive relationship between focus strategy and customer Retention

RESULTS AND DISCUSSION

For analyzing the data of present study, generic competitive strategy is considered as independent variable and customer retention – customer satisfaction, service quality, employee participation, and customer relationship – is considered as dependent variable of this study. For testing the hypotheses of the present study correlation and regression analysis were used. The correlation analysis of independent and dependent variables are illustrated in Table No. 1.

The relationship among the cost leadership, differentiation, focus and customer retention are positively significant in the present study. But result indicated that the relationship between differentiation and customer retention are highly correlated than the other variables.

Table 1: Correlation between independent and dependent variables

| | Customer Retention | Significance |
|-----------------|---------------------------|---------------------|
| Cost Leadership | .715 | .000 |
| Differentiation | .773 | .000 |
| Focus | .344 | .015 |

Source: Survey Data

To test hypotheses H1, H2, and H3, The researcher performed a regression analyses. For testing the hypotheses, Differentiation, Cost-Leadership, and Focus on the customer retention of the supermarkets entered in the SPSS Package. The results indicated that the differentiation, cost-leadership, and focus are significantly related to customer retention ($\beta = .735$, $p < .01$, $\beta = .616$, $p < .01$, and $\beta = .496$, $p < .01$ respectively). The results demonstrate that three variables, differentiation, cost-leadership, and focus, have significant effects on customer retention. Therefore, hypotheses H1, H2, and H3 are accepted. The results are indicated in the table 2.

Table 2: Regression Analysis of Deepened and Independent Variables

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-----------------|------------------------------------|-------------------|----------------------------------|----------|-------------|
| | Beta | Std. Error | Beta | | |
| (Constant) | 8.580 | .505 | | 9.070 | .000 |
| Differentiation | .735 | .051 | .763 | 4.216 | .000 |
| Cost Leadership | .616 | .077 | .643 | 4.092 | .000 |
| Focus | .496 | .099 | .587 | 2.990 | .003 |

Dependent Variable: Customer Retention

CONCLUSION

Present study highlighted the generic competitive strategy and customer retention in the super markets. Mainly the study focused how the generic competitive strategies – differentiation, cost-leadership, and focus on the customer retention of the supermarkets. Every business people should retain customers for business survival. Because searching new customers they need to spend more money. That's why the business people retain their customers. The results of present study indicated the the supermarkets in Vavuniya District has positive impact for using Generic strategy on Customer retention.

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