



Research Paper

Customer satisfaction and value creation through supply chain management in organized vis-à-vis unorganized retail for fruits and vegetables in South Gujarat

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Abstract: Customer satisfaction is widely recognized as a key factor in the formation of consumers' future purchase intentions. Satisfied customers are also likely to tell others of their favorable experiences and thus engage in positive word of mouth advertising. The present study was carried out to investigate customer satisfaction and value creation through supply chain management in organized Vs unorganized retail for fruit and vegetables in South Gujarat region of Gujarat. Structured interview questionnaire was used to collect information on customers and the data was analyzed using appropriate statistical tools. The findings revealed that there are differences found in the customers' satisfaction and value creation towards organized and unorganized fruits and vegetables retailers.

Keywords: Customer satisfaction, Supply chain management, fruit and vegetable, value creation, organized retailers, unorganized retailers

Introduction:

Indian retail industry is one of the fastest growing in the world. India is the fifth-largest and preferred retail destination globally. The country is among the highest in the world in terms of per capita retail store availability. India's retail sector has been undergoing structural changes for the last two decades. Retailing fresh produce is a risk oriented business and the high price mark-ups made by the retailer are necessary to cover the cost of the post-harvest losses as well as the general overheads for the shop and still give a profitable income. The supply chain management of perishable food produce constitutes the processes from production to delivery of the agri-fresh produce, i.e. from the farmer to the customer. Fruits and vegetables as perishable items need special consideration by retailers keeping in mind different inventory management conditions and need of the customers. As shelf life of fruits and vegetables are less therefore strategies for review, replenishment needs

to be revised correctly. Also managing and ordering such perishable products needs to be taken special care by the retailers so that customer satisfaction can be achieved with less wastage. Customer satisfaction is the key factor in knowing the success of any retail store or business; therefore it is very important to measure it and to find the factors that affect the customer satisfaction. Customers are most likely to appreciate the goods and services they buy, provided if they are made to feel special. Customer satisfaction levels can be measured using survey techniques and questionnaires. Gaining high levels of customer satisfaction is very important to a business because satisfied customers are most likely to be loyal, place repeated orders and use a wide range of services offered by retailers.

Bolton (1998) found that customers repeat purchase product or service only when they were satisfied, which may result in customer loyalty towards the business. Tan (2002) stated that choice of modern retailing over traditional retailing was influenced by different elements such as sales, assortment, promotion schemes, ambiances and in store services. Maruyama and Trung (2007) concluded that on element of freshness for fresh food, people were more likely to purchase from unorganized retailing, on the other hand people with more income and concern about safety of fresh food were more likely to purchase from the Shopping malls. Khurana (2008) indicated that consumers were satisfied with the store atmospherics. Pataskar (2011) concluded that around 30 % of the respondents were totally satisfied with the price charged by retailers and around 50 % of the respondents were happy with the prices of products at organized retail store. 68.8 % of the customers were satisfied with the level of price charged by modern retailers. Gunden and Thomas (2012) observed that consumers in making purchasing decisions

paid more attention to freshness, taste and hygiene attributes of fresh fruits and vegetables than they give to price and nutritional value. Lakshmi et al (2013) reported that the factors which were attracting the customers towards unorganized retailers were location convenience, goodwill, credit facility, bargaining, loose items, convenient timings and home delivery. Sabir (2016) reported that customer give first priority to availability of the fruits and vegetables they wanted to buy. In case of organized retail, second priority was given to hygiene, whereas hygiene was ranked fourth in unorganized sector. Second priority was given to shelf life in case of unorganized retail, whereas shelf life was third priority for customers purchasing from organized retail. Price was ranked fourth in priority for organized retail stores, where as in case of unorganized sector, pricing was ranked third.

Research Methodology:

The study was conducted in South Gujarat region. Study covered four districts (Navsari, Valsad, Surat and Bharuch) of South Gujarat. To accomplish the purpose of study, a sample of customers who visit both organized and unorganized fruit and vegetable retailers were obtained. 200 customers with 50 customers selected from each of the four district who visit both organized and unorganized fruit and vegetable retailers. A schedule was developed for the study to collect information about respondents in respect of Gender, Occupation, Qualification, Income, Purchase Quantum and Habits of consumers who visit both organized and unorganized fruit and vegetable retailers. The data were collected by personal interview of customers who visit both organized and unorganized fruit and vegetable retailers using structured interview schedule. Appropriate descriptive statistics were generated and

Garrets ranking and t-test was used for analysis.

Results and Discussion:

Table 1. Socio-economic profile of customers n=200

Socio-economic profile of respondents	No. of Respondents	Percentage %
Gender		
Male	24	12%
Female	176	88%
Age		
21-30	37	18.50%
31-40	72	36%
41-50	62	31%
Above 50	29	14.50%
Occupation		
Employee	48	24%
Business	37	18.50%
Housewife	96	48%
Students	19	9.50%
Qualification		
Matriculate	23	11.50%
Graduate	90	45%
Post-Graduate	51	25.50%
Professional education	36	18%
Monthly income		
<10000	3	1.50%
10000-20000	25	12.50%
20000-30000	63	31.50%
30000-40000	50	25%
40000-50000	33	16.50%
>50000	26	13%
Frequency of purchasing F&V		
Daily	35	17.50%
Once in a week	33	16.50%
Twice in a week	72	36%
Thrice in a week	60	30%
Customer visit organized retailers		
Daily	14	7%
Once in a week	61	30.50%
Twice in a week	48	24%
Thrice in a week	44	22%
Occasionally	33	16.50%
Monthly Purchasing of fruits &Vegetables		
1000	10	5%
1000-1500	27	13.50%
1500-2000	93	46.50%
>2000	70	35%

Customers were asked the questions related to their socio-economic profile. For

this purpose, frequency analysis has been applied which enables us to

explain whether or not socio-economic profile which included the gender, age, occupation, qualification and monthly income have any impact on purchase habit of customers and perception of customer toward organized and unorganized fruits and vegetables retailers.

From the study found that maximum 88% of the customers were female and only 12% male customers. It suggests that in maximum household females were the main decision makers related to purchase of food items. 36% customers were in 31-40 age group and 31% customers were in 41-50 age group, 18.50% customer were in 21-30 age group and 14.50% customers were in >50 age group. It shows that most of the middle age group customers purchased fruits and vegetables from unorganized as well as organized retailers in comparison to other age groups customers. Maximum 48% customers were housewives, 24% customers were employees, 18.5% customers had business and only 9.5% customers were students. It suggests that the employed person, business people and students are getting less time in respect to housewives to visit organized as well as unorganized retail shop for purchasing of fruits and vegetables due to their busy schedule. Maximum 45% customers completed graduation, 26% customers completed post-graduation, 18% customers completed professional education and 11.5% customers completed matriculate education. It suggested that customers had higher level of education. As far as Income is concerned, 31.5%

customers had monthly income between ₹20000 to ₹30000 followed by 25% customer with monthly income between ₹30000 to ₹40000, 16.5% between ₹40000 to ₹50000, 13% customers with monthly income above ₹50000, 12.5% customers with monthly income between ₹10000 to ₹20000 and 1.5% customers with monthly income below ₹10000. It suggests that monthly income of most of customers were between ₹20000- ₹40000. As far as Purchase frequency is concerned, 36% customers purchased fruits and vegetables twice a week, 30% customers purchased fruits and vegetables thrice in a week, 17.5% customers purchased fruits and vegetables daily and 16.5% customers purchased fruits and vegetables once in a week. It suggests that customer purchase fruits and vegetables 2-3 times in a week as want to buy and consume fresh. Maximum 30.5% customers visited organized retailers once in a week, followed by 24% customers who visited twice in a week, 22% visited thrice in a week, 16.5% customers visited occasionally and only 7% customers visited daily. It suggests that customers visit organized retailers 1-2 times in a week for purchase fruit and vegetables. Maximum 46.5% of customers spent between ₹1500- ₹2000 monthly to buy fruits and vegetables, 35% of customers spent more than ₹2000 while 13.5% of customers spent between ₹1000- ₹1500 and only 5% of customers spent less than ₹1000 to buy fruits and vegetables every month.

Table 2. Customer perception toward organized vis-à-vis unorganized fruit and vegetable retailers

Statement	Mean Score	Standard Deviation	Rank
Price in organized retail is less in comparison to local Shops	2.88	1.2162	12
Services in organized retailers better in comparison to local Shops	2.77	1.2658	13
Quality of perishable items in organized retail is better in comparison to local shop	2.98	1.2519	11
Various offers given in organized retail attract consumers more in comparison to local shop	3.08	1.1464	9
Information search about product in organized retail in comparison of local shop	2.55	1.0260	16
Food products are well maintained as per food safety norms in organized retail in comparison to local shops	3.60	0.9078	6
Queues for billing in organized retail are more in comparison to local shop	3.39	1.0020	7
Checking of items at exit point of a Mall creates inconvenience for consumer	3.73	1.0632	3
Parking facility at organized retail is more convenient in comparison of local shop	3.71	0.9274	5
The entertainment facilities provided in organized retail / Mall are attract people to make more purchase	3.33	1.3266	8
Distant location of organized retail compel consumers to make purchase in local shops	3.96	0.6561	1
Packing/ packaging of perishable products is more attractive at organized retail in respect to local shops	2.68	1.2551	15
Behaviour of salesmen/staffat organized retailis generally more professional in comparison to local shops	3.06	1.2587	10
Personal bonding/relationship with local shop owners prevents consumers from purchasing at organized retail	3.90	0.8119	2
More wastage of fruits and vegetables in local mandi in comparison to organized retail	3.72	0.9196	4
Inverse relationship for the purchases made at early hours and late hours in terms of price and quality of vegetable/fruits at local mandi	2.74	1.3195	14

Customer perception toward organized vis-à-vis unorganized fruit and vegetable retailers was recorded on selected statements on the basis of five point scale of Strongly Agree to Strongly Disagree. From Table 2, it is revealed that at first rank with a mean score of 3.96, customers preferred local retail format such as local vendor and kiosk for purchase fruits and vegetable because they considered the

distant location of organized retail format and therefore give preference to nearby local retailers. Statement ranked second with mean score of 3.90 revealed that customers purchased fruits and vegetables from the local retail format rather than the organized retail format due to the personal bond/relationship of the customers with the local vendors, kiosks and local traditional mandi. At third rank mean score

of 3.73 revealed that maximum customers accepted that they feel inconvenience during the checking of items and billing process at exit point of organized retail format. At fourth rank mean score of 3.72 revealed that maximum customers agreed that more wastage of fruits and vegetables take place in local mandi in comparison to organized retail format. Statement ranked fifth with mean score of 3.71 show that the organized retailers have more convenient parking facilities than the unorganized retailers. Mean score of 3.60 show that the maximum customers agreed that food products are well maintained as per food safety norms in organized retail format in comparison to unorganized retail shops. It was followed by statement that there are more queues for billing in the organized retail format than in the unorganized retail outlet with a mean score of 3.39. Customers agreed that they make more purchase in organized retail format as compared to unorganized retail format as they are attracted by the entertainment facilities provided by organized retail format with a mean score of 3.33. It was

followed by other statements such as Various offers given in organized retail attract consumers more in comparison to local shop, Behaviour of salesmen/staff at organized retail is generally more professional in comparison to local shops, Quality of perishable items in organized retail is better in comparison to local shop and Price in organized retail is less in comparison to local Shops with respective mean score of 3.08, 3.06, 2.98 and 2.88 ranked at 9th, 10th, 11th and 12th respectively. Other statements such as Services in organized retail are better in comparison to local Shops, Inverse relationship for the purchases made at early hours and late hours in terms of price and quality of vegetable/fruits at local mandi, Packing/ packaging of perishable products is more attractive at organized retail in respect to local shops and Information search about product in organized retail in comparison of local shop with respective mean score of 2.77, 2.74, 2.68 and 2.55 were ranked at 13th, 14th, 15th and 16th respectively.

Table 3. Most preferred retail format for purchase of fruits & vegetables

Sr. No.	Retail format	Rank & Garret value					
		1 st	2 nd	3 rd	4 th	5 th	6 th
1	Fruit and vegetable kiosk	46 (3542)	52 (3276)	44 (2376)	23 (1058)	23 (851)	12 (276)
2	Kirana store	25 (1925)	24 (1512)	33 (1782)	46 (2116)	37 (1369)	35 (805)
3	Local mandi	26 (2002)	34 (2142)	42 (2268)	39 (1794)	30 (1110)	29 (667)
4	Local vendor	48 (3696)	51 (3213)	43 (2322)	34 (1564)	14 (518)	10 (230)
5	Super market	33 (2541)	25 (1575)	26 (1404)	31 (1426)	57 (2109)	28 (644)
6	Hyper market	22 (1694)	14 (882)	12 (648)	27 (1242)	39 (1443)	86 (1978)

Table 4. Ranking of retail format most preferred by customers

Sr. No.	Retail format	Total Garrett's Value	Average score	Rank
1	Fruit and vegetable kiosk	11382	56.91	2
2	Kirana store	9509	47.545	5
3	Local mandi	9983	49.915	3
4	Local vendor	11543	57.715	1
5	Super market	9700	48.5	4
6	Hyper market	7946	39.73	6

Garrets ranking method was used to study Most preferred retail format for purchase of fruits & vegetables. Table 3 & 4 shows that Customers give first preference to local vendors for purchase offruits and vegetables, followed by fruit and vegetable kiosk for purchase of fruits and vegetables. It was followed by local mandifor purchase of fruits and vegetables. Fourth

rank was given to super market for purchase of fruits and vegetables, followed by kirana store and hyper market respectively. It shows that customers give preference to unorganized retail format like local vendors, kiosk, local traditional mandies and kirana store compared to organized retail formats such as super market and hyper market.

Table 5. Comparative interpretation of customer satisfaction and value creation through organized vis-a-vis unorganized fruit and vegetable retailers

Parameters	Mean ± SD		t-value	Sig. (2-tailed)
	Organized	Unorganized		
Price	2.40±1.21	2.24±2.46	.797	.426
Hygiene	2.59±0.98	1.80±0.77	-8.976	.000*
Availability	2.24±0.90	2.02±1.11	2.110	.036*
Freshness	1.94±0.83	2.47± 1.17	-5.190	.000*
Packaging	3.40±4.11	2.07± 0.93	4.478	.000*
Quality	2.19±1.03	2.35±1.13	-1.474	0.141
Services	2.90±1.19	2.31±1.09	5.186	.000*
Convenience	2.84±1.24	2.95±1.19	-.903	.367

*Significant at 0.05 level. t-test was conducted to know the customer satisfaction towards organized and unorganized retailers. From Table 5 a significant difference was found between customer satisfaction towards organized and unorganized retailers on parameters of Hygiene (t=-8.976, sig=.000), Availability

(t=2.110, sig=.036*), Freshness (t=-5.190, sig=.000*), Packaging (t= 4.478, sig=.000*) and services (t=5.186, sig=.000*). It indicated that customer considered organized retailers better on Hygiene, Availability and Packaging but considered unorganized retailers better on freshness of produce.No significant

difference on customer satisfaction on parameters of Price, Quality and

Conclusion:

Satisfaction of consumers in retail service is an important criterion for a marketer to understand for further strategic decision. The share of organized retailing remains low but in few categories it is quite high. This study shows that customers give preference to unorganized retailers over the organized retailers for purchase of fruits and vegetables. Study also reveals that customers give first preference to local vendor for purchase of fruits and vegetables, followed by fruits and vegetables kiosk and least preferred hyper market for purchase of fruits and vegetables. Customers considered organized retailers better on Hygiene, Availability and Packaging but considered unorganized retailers better on freshness of produce. Both organized and un-organized retailers will co-exist with their own competitive advantages. The study revealed that change in life style, increase in awareness of quality products, disposable income switching over to organized retailers but still then unorganized retail dominates in fruits and vegetables retail industry.

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