

# Retail Strategies of Successful Unorganised Pharmacy Stores – a case study in Bangalore

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Retailers pursue different kinds of strategies to attract customers towards their outlets. But, only some retailers can be successful in having a strong pull for its customers. The present study aims at identifying the factors responsible in contributing to the better performance of some pharmacy stores, especially the unorganized pharmacy stores. The variables chosen for the study are the outcome of an initial pilot study, where the customers were asked open ended questions to gather reasons for their patronage towards the pharmacy stores. These variables have been subjected to factor analysis and the resultant factors have been termed as the strategies adopted by the successful pharmacy stores. The results show that there are seven major strategies adopted by the successful pharmacy retailers.

**Keywords:** Unorganised retailing, Pharmacy retailer, Successful Strategy.

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## Introduction

Retailing is very motivating as well as profitable if the retail store is able attract maximum number of customers for its products. The retailers use all kinds of available strategies to increase the footfall of the customers. Still, only some retailers can be successful in having a strong pull for its customers. These retailers can never show a sign of breakdown even in weak economic and strong competitive environments. This is common phenomenon among all kinds of retailers. There are certain pharmacy stores that are successful in attracting customers better than other pharmacy stores operating in the same kind of business. Sometimes, in the same locality, it is observed that one pharmacy store is very popular and always seem to be crowded with customers while others stores are not so. Such a tendency is common among all kinds of shops/outlets like grocery shops (kirana stores), pharmacy stores, restaurants, laundry service etc. In spite of reasonable level of competition among the similar types of stores, some stores are successful in attracting more customers as compared to others. These stores get maximum customer footfalls.

## Review of Literature

The Indian retail sector is highly fragmented, consisting predominantly of small, independent, owner-managed shops. The unorganised sector has not lost its glory due to entry of organised sector. It has rather gained in terms of business as the overall retail economy is growing. It has also gained in terms of its quality enhancement due to competition given by organised sector. Small retailers have adopted the policy of extending more credit to customers to attract and retain customers. They have become competitive by adopting improved business practices & technology up-gradation (Joseph, Soundararajan,

Gupta, & Sahu, 2008).

Today's world is filled with savvy consumers. Their remarkable blend of excitement and skepticism leaves many business owners wondering. It takes more than great products to keep the customers coming back. Shop keepers must consider what they can do to differentiate their business from all the others that offer the same services or products. The differentiator must be the level of service, the unique experience that is offered to customers. This holds true even for critical product categories like medicines. Customers can get the required product (desired drug) from several stores, but even then they mostly prefer patronizing the same medical store from where they usually purchase. It was found that a majority of customers mostly preferred to buy medicines always from the same medical store vis-à-vis patronizing a variety of stores and they tend to re-patronize medical stores that are situated at 0 to 3 km from their residence or workplace, reflecting that locational convenience plays a significant role in determining preference for and re-patronage of a medical store (Tripathi, 2009).

The study also examined the importance of familiarity (with a store) in rationalizing buyer behaviour with reference to medicines. The respondents had accorded the highest priority to the personal relationship that they enjoyed with the store manager and the pleasant behaviour displayed by him in determining patronage of a medical store. In case of specialized, sensitive products like medicines, reliability of the store will play a major role in determining customer loyalty and re-patronage. If the store wants to be successful, it must build a truly sincere brand, with the objective of creating long-term mutually beneficial relationships with its customers. (Tripathi,

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2009).

In study by Tootelian & Gaedeke (1986), the majority of respondents considered personal service to be the primary advantage independents will have over chain pharmacies. According to them, the major competitive advantages independents are expected to have are location and convenience of shopping and the personal attention and general atmosphere of a nonhospital setting.

Hansen and Deutscher (1978) used a base of 485 consumers in Ohio and examined the relative importance of the various aspects of retail image to different consumer segments. They made comparison of different attributes across departmental and grocery stores to indicate congruence and concluded that the same attributes are important across different types of stores.

H. Oppewal and H. Timmermans (1997) indicated the importance of self perceived image and competitive positioning for the retailers. The research was conducted on 183 retailers in a European town. The research findings indicate that on average retailer's consider Service as the dimension on which they differentiate themselves from the competitors. Price and Promotion are the factors having least impact on perceived image of the stores. They further suggested six dimensions to underlie retailer's self perceived store image. Those are Price, Location, Interior, Selection, Service, and Product Quality.

Leung and Oppewal (1999) had conducted research on the roles of store and brand names in consumers' choice of a retail outlet and concluded that a high-quality brand or high-quality store is sufficient to attract the customer to a retail store. The study also revealed that store names have a larger impact on store choice than the brand names of the products that these stores have on offer.

Kaul S. (2005) made a study on which store attributes are appealing for self-image of consumers and their impact on in-store satisfaction and patronage intentions. She concluded that service expressiveness value is distinct from the performance value obtained from service delivery. Consumers satisfied with service quality are most likely to become and remain loyal. She further observed that a store having modern equipment, good and clean physical facilities and ease in transactions would be able to yield satisfaction and patronage intentions.

Hedrick *et al* (2005) proposed that store environment and store atmospherics can influence customer's expectations on the retail salesperson. They conducted a study on sales people and store atmosphere, and identified that customer's perceptions of a salesperson's attributes and relationship building behaviors were important drivers of customer satisfaction. In retail, intentions are usually determined by a willingness to stay in the store, willingness to repurchase, willingness to purchase more in the future and willingness to recommend the store to others.

Tripathi and Sinha (2006) have studied retail store choice not from the perspective of an individual but of the family. They argue that it is mostly the family and not the individual who is the consumer of the retail offering.

Ramakrishnan (2010) in his study tried to decipher the competitive response of smaller retailers in an emerging Indian economy with the increased competition from the organized retailers. In his study, retailers were clustered into groups on the basis of the success strategies that are followed by these retailers. The main findings of the research point towards the key strategies such as- maintaining a personal relationship with the customers, providing additional services which are valued by the customers, and assessing the impact of adopted strategies identified by the retailers.

Shah (2009) in his study proposed the importance of understanding consumer understanding as central to the success of any business organization. In the changing environment of rapid growth and increasing competition from the organized retailers, traditional retailers have experienced problems relating to improving their bottom line and retaining their customers. The study was carried out in western India in cities of Gujarat, namely Rajkot & Jamnagar. People visiting malls and mom and pop stores were the major respondents for the research. The research points out various suggestions for Mom and Pop stores to remain competitive with the organized retailers, such as; First of all they need to improve the processes. Careful inventory management needs to be done by these stores to reduce losses. Also the stores need to improve their display of goods so as to have an aesthetic appeal to the customers and also provide suppliers with a chance to promote their products. Mom and Pop store should be looking to develop themselves as a specialty store. This will help them to focus on a single line of products and as a result in improving the processes. Also the consumers will have more choice than that in the retail outlets where only popular brands are available. Finally the Mom and Pop stores should keep on leveraging the customer relationship the store has developed.

Chattopadhyay *et al.* (2010) in his study pointed out that how the emerging economies and fast growing markets such as India has resulted in the transformation of the retail sector in India. India is also home to the largest number of Small Traditional Stores (STS) in the world. This research indicates that how even in the presence of large organized retailers, Mom and Pop Stores still maintain their competitiveness and remain resilient with their service mix. The research also indicates that even in the presence of large retail store in the metro cities customers; still remain loyal to the neighborhood stores. The distinctive strategies adopted by the retailers are- providing credit, home delivery and customers can place orders on the phone.

Gupta and Tandon (2013) in his study pointed out various factors that are important for the customers and that have led to a change in consumer preference. The research was based in

Jammu city. Main objective of the research was to identify factors that are influencing consumers to go to organized retailers and vice versa and also to identify the problems faced by the consumers with organized and unorganized retailers. One of the major results from the research was that 86.67% of the respondents go to unorganized retail outlets.

#### Research Methodology:

For the present study, 15 pharmacy stores were identified across Bangalore. This was done based on the observation by the researcher. These outlets were quite popular in their localities and get more customers. Sales per day in each of these outlets are better than the competitors in the locality. Initially, a pilot study was conducted by interviewing 50 customers of the pharmacy stores. The customers were asked open ended questions covering the reasons for patronizing the pharmacy stores. Later, based on these responses, closed ended questionnaire was designed containing 16 variables, taken

from the pilot study. Then, these questionnaires were administered to customers of the pharmacy stores taken for the study. The sample size taken for the study was 150, considering 10 respondents for each store.

#### Analysis & Findings:

The table 1 gives the profile of respondents taken for the study. 41% of the respondents were male and 59% were female respondents. Around 70% of the respondents belong to the age group between 20 years to 40 years. 25% of the respondents belong to the age group whose age is more than 40 years. Only 13% of the respondents belong to the age group whose age is less than 20 years. As far as monthly income is concerned, around 73% of the respondents have a monthly income of Rs.30,000 and above. 21% of the respondents had a monthly income between Rs.10,000 and Rs. 30,000. Only 6% of the respondents had monthly income less than Rs.10,000.

**Table 1: Profile of Respondents**

	Description	Frequency	Percentage
<b>Gender</b>	Male	62	41
	Female	88	59
	<b>Total</b>	<b>150</b>	<b>100</b>
<b>Age Group</b>	Less than 20 years	20	13
	20 - 30 years	52	34
	30 - 40 years	53	36
	More than 40 years	25	17
	<b>Total</b>	<b>150</b>	<b>100</b>
<b>Monthly Income</b>	Less than Rs.10,000	8	06
	Rs.10,000 - Rs.30,000	32	21
	Rs.30,000 - Rs.50,000	60	40
	More than Rs.50,000	50	33
	<b>Total</b>	<b>150</b>	<b>100</b>

Source: Market Survey

#### Reliability and Validity Tests:

**Table 2: Reliability Statistics**

Cronbach's Alpha	N of Items
0.748	16

Reliability test was conducted on all the 16 variables considered for the study. The Cronbach's Alpha was found to be 0.748, indicating that the variables taken for the study, are reliable. Validity of the variables was tested by conducting bivariate correlation analysis among the variables. The Coefficients of correlation for all combinations were more than 0.5 indicating that the variables were suitable for the study.

#### Factor Analysis:

The exploratory factor analysis is used in order to identify the successful retail strategies of pharmacy stores. Principal Components Analysis is employed for extracting factors or dimensions. Orthogonal rotation with Varimax is applied. The Latent root criterion is used for extraction of factors. As per it, only the factors having latent roots or Eigen values greater than one are considered significant.

**Table 3a: KMO and Bartlett's Test<sup>a</sup>**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.722
Bartlett's Test of Sphericity	Approx. Chi-Square	278.141
	df	120
	Sig.	0.000

The Bartlett test of Sphericity was significant at 120 degrees of freedom ( $\chi^2 = 278.141$ ,  $p < 0.01$ ), which also showed the presence of significant correlations among variables. This statistic tests the hypothesis whether the population correlation matrix is an identity matrix. A value less than 0.05 indicate that the data in hand do not produce an identity matrix. This means that there exists a significant relationship among the variables, taken for the factor analysis. Another index of the appropriateness of Factor Analysis is the Kaiser-Meyer-Olkin (KMO) measure of sample adequacy, which measures whether the distribution of values is adequate for conducting factor analysis. A high value of this statistic indicates the appropriateness of the factor analysis for the data in hand. In this case, KMO was as high as 0.722, which is very good.

**Table 3b: Rotated Component Matrix**

Statements	Factors						
	F1	F2	F3	F4	F5	F6	F7
6. Store location is very convenient for me to visit.	0.757						
10. The shopkeeper knows me personally.	0.655						
14. Sometimes, Shopkeeper provides me advice in selecting the product.	0.617						
11. The Shopkeeper knows my needs very well.		0.827					
2. The store carries wide variety of merchandise.		0.654					
5. The store carries deep assortment of merchandise.		0.524					
1. The store sells good quality products.			0.821				
3. Replacement of purchased items is easy in the store.			0.624				
13. The shop keeper tries to get the products required by me even if does not carry the stock.			0.563				
16. Store appearance and atmosphere also influences my patronage to the store.				0.744			
4. The store appears clean.				0.656			
12. Billing is faster in the outlet.					0.834		
7. The store accepts cash, debit card as well credit card for payment.						0.845	
9. The store provides credit facility.						0.542	
8. The store gives free home delivery of purchased products.							0.777
15. Familiarity with a shop layout increases my preference for that store.							
<b>Total</b>	<b>1.750</b>	<b>1.732</b>	<b>1.697</b>	<b>1.562</b>	<b>1.505</b>	<b>1.504</b>	<b>1.163</b>
<b>% of Variance</b>	<b>10.934</b>	<b>10.826</b>	<b>10.606</b>	<b>9.763</b>	<b>9.409</b>	<b>9.403</b>	<b>7.271</b>
<b>Cumulative %</b>	<b>10.934</b>	<b>21.760</b>	<b>32.367</b>	<b>42.129</b>	<b>51.539</b>	<b>60.941</b>	<b>68.213</b>

There are seven factors extracted from the exploratory factor analysis, each having Eigen values exceeding one. Eigen values for seven factors are 1.750, 1.732, 1.697, 1.562, 1.505, 1.504 and 1.163. The index for the present solution accounts for 68.213 percent of the total variations for the customers. It is reasonably a good extraction. Around 31.787 percent of information content is lost for choice of variables. The

percentages of variance explained by each factors are shown in the table 3b.

#### Retail Strategies of Successful Pharmacy Stores:

The following table 3c gives the factors/successful strategies adopted by the pharmacy stores. It also gives the respective reliability values.

**Table 3c: Retail Strategies of Successful Pharmacy Stores**

Sl. No.	Factors	Statements	Loadings	Cronbach's Alpha
1	<i>Store Location &amp; Personal Interaction</i>	6. Store location is very convenient for me to visit.	0.757	0.671
		10. The shopkeeper knows me personally.	0.655	
		14. Sometimes, Shopkeeper provides me advice in selecting the service/product.	0.617	
2	<i>Clarity in Customer Needs</i>	11. The Shopkeeper knows my needs very well.	0.827	0.629
		2. The store carries wide variety of merchandise.	0.654	
		5. The store carries deep assortment of merchandise.	0.524	
3	<i>Quality Products and Customer Service</i>	1. The store sells good quality products.	0.821	0.673
		3. Replacement of purchased items is easy in the store.	0.624	
		13. The shop keeper tries to get the products required by me even if does not carry the stock.	0.563	
4	<i>Eye-catchy Store Atmospherics</i>	16. Store appearance and atmosphere also influences my patronage to the store.	0.744	0.527
		4. The store appears clean.	0.656	
5	<i>Attractive Discounts</i>	12. The store gives discount is given on all products.	0.834	-
6	<i>Easy Payment &amp; Credit Facility</i>	7. The store accepts cash, debit card as well credit card for payment.	0.845	0.505
		9. The store provides credit facility.	0.542	
7	<i>Free Home Delivery</i>	8. The store gives Free Home delivery of purchased products.	0.777	-

1. *Store Location & Personal Interaction*: This is the most significant strategy. The successful pharmacy stores are located in the right location. The pharmacy stores considered for the study are located on main streets of localities. They are conveniently located in such places where the traffic was quite moderate, there is ample space on the pavement for pedestrians and the customers do not have problems for parking of their vehicles. The shopkeepers not only have good relationship with their customers, sometimes, they give suggestions to their customers regarding the doctors to be met for different ailments. They also give prompt and sincere precautions regarding the prescriptions given by the doctors (especially dos and don'ts).

2. *Clarity in Customer Needs*: The second most significant

strategy is *Clarity in Customer Needs*. The shop keepers have a good level of clarity of the needs of their customers. Accordingly, the merchandise/medicines are maintained in the store. The successful stores have wide variety as well as deep assortment of medicines. These stores always make sure that the medicines required by their customers are available in the store. These successful pharmacy stores are averse in losing customers because of stock-out problems. They usually maintain stocks of all major pharmaceutical companies.

3. *Quality Products and Customer Service*: This is the third important strategy. The successful pharmacy stores maintain good quality products/medicines. This is their major strength too. Along with that, these stores also provide excellent customer services to their customers. The customers are given

the possibility of replacement of purchased medicines for new medicines. Even, these pharmacy stores agree to obtain the out of stock medicines from the distributors based on the request by the customers.

4. *Eye-catching Store Atmospherics*: The fourth major strategy used by the successful pharmacy stores is the *Store Atmospherics*. The pharmacy stores taken for the study were maintained neat and clean. *Store Atmospherics* like colour, ambience, are quite appealing. More importance is given to the lighting in store and display of the medicines/ products, especially those products which are bought on impulse by the customers.

5. *Attractive Discounts*: This strategy is being used by all the successful pharmacy stores. The pharmacy stores offer up to 10% of discount on all kinds of medicines on the total bill value. This seems to be a common trend in the pharmaceutical retailing.

6. *Easy Payment & Credit facility*: The mode of payments for the purchases made is through any of the kinds like cash, debit cards or credit cards. The customers are given all kinds of choices for the payment without any extra/hidden charges. This strategy has been useful in attracting customers belonging to all segments.

7. *Free Home Delivery*: The last strategy is the *Free Home Delivery* service given to select customers only. The orders are taken by the pharmacy stores over phone and the medicines are delivered to the customers' homes. This has been useful in retaining customers with the stores.

#### Conclusion:

The study revealed seven major strategies used by the successful pharmacy stores. Interestingly, these retailers never relied on very big promotional activities. Rather, all the successful pharmacy stores depend completely on the word-of-mouth promotion. This can be attributed to their power of seizing and maintaining their loyal customers for longer periods of time. The strategies identified in the study are certainly useful if they are pursued and maintained suitably by the retailers.

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