# CHAPTER I
## INTRODUCTION

<table>
<thead>
<tr>
<th>1.1 INTRODUCTION</th>
<th>1.2 CONCEPTUAL FRAMEWORK OF THE STUDY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3. THE CUSTOMER VALUE</td>
<td>1.3. THE CUSTOMER VALUE</td>
</tr>
<tr>
<td>1.4. THE VALUE FRAMEWORK</td>
<td>1.4. THE VALUE FRAMEWORK</td>
</tr>
<tr>
<td>1.5 LITERATURE REVIEW</td>
<td>1.5 LITERATURE REVIEW</td>
</tr>
<tr>
<td>1.6 STATEMENT OF THE PROBLEM</td>
<td>1.6 STATEMENT OF THE PROBLEM</td>
</tr>
<tr>
<td>1.7 OBJECTIVES OF THE STUDY</td>
<td>1.7 OBJECTIVES OF THE STUDY</td>
</tr>
<tr>
<td>1.8 HYPOTHESES</td>
<td>1.8 HYPOTHESES</td>
</tr>
<tr>
<td>1.9 RESEARCH METHODOLOGY</td>
<td>1.9 RESEARCH METHODOLOGY</td>
</tr>
<tr>
<td>1.10 SIGNIFICANCE OF THE STUDY</td>
<td>1.10 SIGNIFICANCE OF THE STUDY</td>
</tr>
<tr>
<td>1.11 LIMITATIONS OF THE STUDY</td>
<td>1.11 LIMITATIONS OF THE STUDY</td>
</tr>
<tr>
<td>1.12 ORIGINALITY AND NOVELTY OF THE STUDY</td>
<td>1.12 ORIGINALITY AND NOVELTY OF THE STUDY</td>
</tr>
<tr>
<td>1.13 CHAPTER SCHEME</td>
<td>1.13 CHAPTER SCHEME</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>REFERENCES</td>
</tr>
</tbody>
</table>
1.1 INTRODUCTION
A business which considers every person as a customer is retail business. Retailing consists of all activities involved in selling goods and services to consumers for their personal, family or household use. It covers sales of goods ranging from automobiles to apparel and food products and services ranging from hair cutting to air travel and computer education. Sales of goods to intermediaries who sell to retailers or sale to manufacturers is not considered as retail activity.

Retailing can be studied from several aspects. A manufacturer of truck or car has many options to reach out to customers. It can sell through dealers, company, showroom, home improvement stores, or hypermarkets. The manufacturer will have to decide which retail formats to adopt and whether to go for intensive distribution (sell through many outlets), selective distribution (sell through limited outlets), or exclusive distribution (sell through many few outlets). After that manufacturer will have to decide which models to offer through different types of outlets. If decided on retail distribution, the promotion strategy to attract retailers will have to be finalized.

At the beginning of the last century, retail industry in developed countries was highly fragmented but after the emergence of large chains like Sears, Wal Mart, and Mc Donald’s led to rapid growth of organized retail and Increasing the strength of organized retail. In rise of income levels along with changes in life style highly contributed to the growth of organized retail in developed countries. In India till the retail industry is highly fragmented with organized retail and contributing only 2% of total retail sales. At present we see an increase in purchasing power and growth of a middle class which follows the western life style. But the consumers of India still not used to buying in bulk on weekends. Hence, Indian retail scene is very different from that prevailing in the western countries. On the other hand our Indian environment is different in many ways from that of western countries like Indian cities are congested and still greater part of the population is concentrated in rural areas. Yet as organized retail grows but greater part of Indian retail is still likely to be unorganized since large part of Indian retail represents unorganized / traditional retail is run by members of household and workers not hired in any formal
way. Traditional retail is independently owned and operated with a small numbers of employees and relatively low volume of sales. And the traditional retailers are not capable to copy the organized retail formats.

Today retailing is undergoing the sea changes. It is considered sunrise sector with tremendous growth potential. Silchar is also witnessing the dramatic changes transformations in the retailing. In Silchar, retailing sector is highly unorganized. However, today it is not restricted to traditional retailing only such kirana stores, mom and pop shops or small corner shops etc.

Along with comprehensive growth of all business activities, on account of phenomenal transformation and revolution in science and technology, it has been noticed that retail trade sector (multiple store, organized retailing) has now covered the areas like Silchar in a very faster way. Before the emergence of organized retail, all consumers were buying their products and satisfying their needs from traditional shops. But now it is changed, traditional business facing various challenges like ensuring consumer’s satisfaction, decrease in sales, and decrease in profit margin etc. Always there is boggling with questions that how to deal with the challenges in the form of increased competition and other complexities posed by the arrival of organized retailing in this region especially in Silchar town.

1.2 CONCEPTUAL FRAMEWORK OF THE STUDY

1. The Retail:

The word “retail” is derived from the French word retailer, meaning to cut a piece off or to break bulk. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

2. The Value:

Generally, while purchasing a product a customer is mainly guided by the idea of benefits and utility. Actually, to begin with he/she is guided by the idea of several things besides utility. The utility plus the several things he/she looks for, together, constitute a ‘bundle of benefits’. This bundle of benefits is the carrier of value to the customers. In other words,
we can say that all buyers seek value in all their purchases and they look for it in the form of benefits. Customers buy products that give them the best bundle of benefit for their money. The benefits can be tangible or intangible.

According to (Kotler, 2002) value as a ratio between what the customers gets and what he gives. The customer gets benefits and assumes cost. The benefits include functional benefits and emotional benefits. The costs include monetary costs, time costs, energy costs, and psychic costs. Thus value is given by:

\[
\text{Value} = \frac{\text{Benefits}}{\text{Cost}} = \frac{\text{Functional benefits} + \text{Emotional benefits}}{\text{monetary cost} + \text{time cost} + \text{energy cost} + \text{Psychic cost}}.
\]

Given the cost (both monetary and non monetary) of buying and using the product by the customers, how much is being added to the satisfaction (monetary and non monetary) of the consumers by supplying goods and services to the consumers by the suppliers is called consumer value addition

1.3. THE CUSTOMER VALUE

Concept of customer value:

In simple terms, customer value refers to what customer sees as value in a product / offer. The firms offer carries all the benefits the firm intends to pass on to the customer. The customer, however, may feel only some of those benefits as benefits that really matter to him/her. All such benefits in the offer, which the customer sees as benefits are carriers of customer value. Those benefits in the offer that are seen as benefits by the firm, but not feel by the customers, do not contribute to customer value. The customer considers tangible values like functional utility of the product, as well as intangible values like brand/ company image. Customer value is the composite of tangible and intangible values. The customer assigns weight age / credits for each benefit, different benefits gain different weight age depending on the priority assigned to them by customers. The total weight age / credits customers thus assign to a given product/ offer, indicate the total value that the customers attribute to it. We call it the Total Customer Value.

Customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits customers expect from a given product or service. Total customer cost is the bundle of cost customer expects to incur in evaluating, obtaining, using, and disposing of the product or service. (Kotler, 2002)
Desired Customer Value

Desired value is the third tier of customer value hierarchy and involves what the customer would like to have from the purchase and service experience. According to Destination Marketing's website, desired value presents the first opportunity for a small business to move ahead of competitors by giving the customer desirable add-on features to the purchase and service experience. For example, a retail location may provide a consistently friendly customer service experience with staff willing to hunt around the store with the customer to find the right outfit or specific clothing item.

Unanticipated Customer Value

Unanticipated value for the customer is receiving a service or purchase experience that the customer literally does not expect. These features can help a small business win consumer loyalty over the competition and generate repeat sales over time. For example, providing satisfaction guarantees on all purchases or hiring staff with significant expertise in the business’ industry can provide a customer with a service experience that exceeds both expectation and desire in terms of value.

Components of customer value

Customer value consists of several components. Some of them are physical/ material and measureable while some others are psychological and non-quantifiable. Customer value can be divided in to two broad categories namely tangible and intangible values.

Table-1.1: Components of Customer Value

<table>
<thead>
<tr>
<th>TANGIBLE VALUES</th>
<th>INTANGIBLE VALUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional value</td>
<td>Social value</td>
</tr>
<tr>
<td>Economic value</td>
<td>Prestige / status value</td>
</tr>
<tr>
<td>Convenience value</td>
<td>Sentiment value</td>
</tr>
<tr>
<td>Sensory/ aesthetic value</td>
<td>Belief value</td>
</tr>
<tr>
<td>Service (people) value</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ramaswami and Namakumari 2009

TANGIBLE VALUES:

Functional value: Functional value mainly denotes the ability of a product to meet a given need. A car takes care of personal transportation and a computer does the computing and storage of data. Factors like usefulness, reliability, durability, performance, resale value, delivery and maintenance are all parts of functional value.
**Economic value:** When the customer sees price advantage in a product it is an economic value. The superior profit feasibility for a customer in using a product is also an economic value.

**Convenience value:** convenience value refers to the easy availability of product and service.

**Sensory / aesthetic value:** Sensory value refers to the taste, looks, smell, sound, and feel of the product. Aesthetic value refers to the appeal of the product / packaging/ presentation to the aesthetic sense.

**Service value:** Service value refers to the promptness and quality of service, and good customer relationship. People along with technology contribute towards creating high Service value. Service value translates itself into best solutions to the customer problems.

**INTANGIBLE VALUES:**

**Social value:** A product has social value when its use confers social acceptance or social desire ability.

**Prestige / status value:** A product has prestige / status value when the products possessions contribute to the users sense of status/ esteem. A person choosing a very expensive car will be influenced by the prestige/ status value of the car over and above its performance attributes.

**Sentimental value:** Sentiment value refers to a product’s capacity to stimulate some sentiments/ memories/ past associations while using the product.

**Belief value:** A product has belief value when it helps the user to re confirm his/ her religious / cultural beliefs. McDonald’s vegetables burger built around the ‘no beef’ was a sop to the belief of the vast Hindu/ vegetarian consumers of India.

**The Value Addition**

Value adding can mean different things to different people. In the broadest sense, Value adding means taking a raw material and processing it or adding something to it to change it into a saleable item that would be purchased by a different group of customers. For example bulk wool is sold to knitting mills but the jumpers and cardigans, the value products, are sold to retailers and then on to the end users. The primary objective of value adding is to increase the value of each materials combined in the process to enable the company to sell a finished product that meets a consumer needs and make more profit as a result. Value added products are nearly always given a brand name that differentiates them from similar competitive products. Value adding is not restricted to branded products. Bulk commodities from a specific region can be value added and still be sold in
bulk for further value adding quality is generally the added ingredient. “Tasmanian apples are better than Canadian apples, or Australian wool is the finest in the world.” These messages heavily promoted and publicized add value to the commodity and give buyers a valid reason to pay a premium for the bulk product.

**Customer satisfaction**

Customers derives satisfaction when the value exceeds the cost –when, on using the product, customers not only finds the value he/ she received matched the total value he had expected, but also that it exceeded the total cost he/ she incurred in acquiring it. The larger the value-cost gap, the greater is his satisfaction, and Retailers have to understand that value denotes the worth the customers sees in a product.

Whether the buyer is satisfied after purchase depends on the offers performance in relation to the buyer’s expectations. In general satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing products perceived performance (or outcome) in relation to his or her expectation.

Satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied, if the performance exceeds expectations; the customer is highly satisfied or delighted.

**Table-1.2: Consumer Value Addition (CVA) is categorized as follows as per the standard definition of Consumer Value Addition**

<table>
<thead>
<tr>
<th>Consumer value Experience ÷ consumer value expectation</th>
<th>= 1</th>
<th>Gross Consumer value Addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer value Experience ÷ consumer value expectation</td>
<td>&gt;1</td>
<td>Positive Net Consumer Value Addition</td>
</tr>
<tr>
<td>Consumer value Experience ÷ consumer value expectation</td>
<td>&lt; 1</td>
<td>Negative Net Consumer Value addition</td>
</tr>
</tbody>
</table>

**Source:** Kotler, 2002; Ramaswamy et al, 2010

**Customer Cost**

Customers also incur some costs in acquiring this value. It is called Customer cost. This cost includes the price of the product plus other elements of cost, economic and non-economic, which customers incur in acquiring the product. The sum total of all the costs customers incurs in acquiring the product is called the Total Customer cost.
**Definition of Customer Value Hierarchy**

Customer value hierarchy is a system of appeal that businesses across the country, both large and small, have turned to as a means of determining customer satisfaction. Businesses have shifted focus to a customer satisfaction model as a means of winning repeat sales and a measure of loyalty in a market that provides consumers with many purchasing options. Customer value hierarchy provides a direction for companies to achieve that goal.

**1.4. THE VALUE FRAMEWORK**

The value framework is a framework for action; it has to conduct the firms’ value delivery job. Ramaswami and Namakumari (2009) explained the need for interpreting marketing in a new perspective i.e. marketing as a value - delivering process and the new perspective the value perspective on marketing.

The value perspective can be translated in to an actionable framework of marketing based on value—a framework that will permit us to understand and practise marketing in terms of value delivery. From a concept / idea level, firm have to move on to the activity level, value delivery has to be converted from an idea to an actionable format.

<table>
<thead>
<tr>
<th>Table-1.3: The Value Framework Representer / Enunciate</th>
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<tbody>
<tr>
<td>Marketing is to be interpreted as ‘a value delivery task’</td>
</tr>
<tr>
<td>The framework is not a mere tool or technique, it represents a point of view about business</td>
</tr>
<tr>
<td>The fortune of the firm as a whole (not of marketing alone) hinges on the framework.</td>
</tr>
<tr>
<td>The entire strategy / value delivery system of the firm rests on the framework.</td>
</tr>
<tr>
<td>The firm’s capability for competing in the market place is embedded in the framework.</td>
</tr>
<tr>
<td>The framework is a corporate level concern / top management responsibility.</td>
</tr>
<tr>
<td>The framework enjoins on marketing to be cross functional.</td>
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</table>

**Source: Ramaswami and Namakumari (2009)**

Above chart explains in a nutshell what the value framework is, what it does, and what it represents.

The value framework rests on the principle that the job marketing is ‘delivering value to consumers’ or ‘delivering value to consumers at a profit’. In this scheme, consumers just buy value, it may be product or service, and compare and contrast competing offers in
the market in terms of their delivered value and choose the one that is the best in their perception. Here job of retailers is to offer best possible and competitively superior delivered value to consumers utilising the value framework.

The value framework underscores that a business is to be viewed as value delivery process. Earlier concept of Drucker was ‘to create a customer’. Ram swami recasted the statement by saying that a purpose of business is ‘value delivery to a customer’. It commences right at the roots and decides the dimensions, parameters and contours of the value i.e. the value load. It means deciding the nature, level, intensity and quality of the value the firm would provide in a given product/offer/brand.

The value framework carries the capability/competency/differential advantage for the firm of competing, surviving and excelling in the market place. It is clear that the value framework is the concern of the top management. It needs to be going beyond them all and embrace the other functions of the business and excel in their front end job of satisfying the customers.

**Constituents of the Value Framework**

The value framework consists of six distinct constituents.

<table>
<thead>
<tr>
<th>Constituents of the Value Framework</th>
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<tbody>
<tr>
<td>Selecting the value</td>
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<tr>
<td>Creating the value</td>
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<tr>
<td>Communicating the value</td>
</tr>
<tr>
<td>Delivering the value</td>
</tr>
<tr>
<td>Capturing the value back from the market (through pricing)</td>
</tr>
<tr>
<td>Enhancing the value (including sustaining the value)</td>
</tr>
</tbody>
</table>

**Source:** Ramaswami and Namakumari (2009)

5. **The Value Selection:** Selecting the value includes two steps –deciding the intensity of value to be offered and avoiding under selection and over selection of value. The difficulty in value selection lies in deciding how much the firm should pack in a given product. Every value input has a cost dimension and all cost has to be recovered. And this recovery has to take place through price, up to what price can it go? The scope of putting value in to a product is large and limitless. The extent depends on how many ideas are generated, how effective are, and how many of them can be
accommodated. If the firm under select the value then it losses the chance to exploit the market opportunity fully. If it over selects the value, it runs the risk of losing a larger segment of the customers.

6. **The Value Creation**: After value selection, the task of value creation takes place. For the firm making product begins and bulk of the firm’s value, delivering task like design, technology, R&D, finance and marketing etc. The task is to bring innovation everywhere so that the selected value is built up in the product, confirming within the allowable costs, and achieving the best of efficiencies.

7. **Communicating Value**: Only creating value is not a job of marketing, it should be properly communicated to the customers. This is the special realm of marketing. It has to communicate the offers to the customers. It has two components i.e. value propositions and then communicates its to the customers.

8. **Delivering the value**: The term value delivery consists of two meaning, at one level, it mean the entire value delivery process that includes value selection, value creation and value delivery. This larger process actually corresponds to business in it’s entirely. At the second level, it means the limited part of the process that includes the physical delivery of the value.

9. **Capturing value back from the market**: Delivering adequate value to the customer is only an initial part of the value game. The firm has to get back its due share from the market. It has to capture the market through the price. The firm has to apply offer value and capture value. It includes three level, first select the value that the market seeks (what the consumer consider as value); secondly build the value in the product / service and thirdly capture back the due value into the company’s pot through the price mechanism.

9. **Enhancing the value**: Enhancing the value is nonstop job for the firm. The firm keeps watch on enhancing the value of its offer continuously. Value creation, communication, delivery and enhancement are all integral parts of the value delivery process. Increasing continuously the value in its offers and sending out new offers to the market enable the firm to stay modern and contemporary in the market. The firm keeps measuring the satisfaction level of customers, collects their feedback on the level of satisfaction with the product, distribution and service and upgraded accordingly the value in each of these.

10. **The Retailing**

In 2004, The High Court of Delhi defined the term ‘retail’ as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale). A sale to the ultimate consumer. Thus, retailing can be said to be the interface between the producer and the
individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers.

**Organised retail:** Organized retailing refers to trading activities undertaken by licensed retailers that are those who are registered for sales tax, income tax etc. These include the corporate – backed hypermarkets, retail chains and also privately owned large retail business.

**Unorganized retailing:** Unorganized retailing refers to traditional formats of low cost retailing for example, the local kirana shops, owner operated general stores, paan / beedi shops, convenience stores, hand cart pavement vendors etc.

**Malls / shopping mall:** Malls / shopping mall – refer to a place where a collection of shops adjoins a pedestrian or an exclusively pedestrian street that allows shoppers to walk without interference from vehicle traffic.

**Small retailers:** Small retailers- refer to those having shops in authorized market areas having immobile shops.

11. **Mom-And-Pop Stores and Traditional Kirana Stores:** Mom and Pop stores and traditional kirana stores are very small stores in the city where they buy in few numbers from wholesalers and sell it to the consumers. These stores offer few products that are necessarily required for day to day life. These are so small stores where you cannot go inside and select whatever you want. There will be an owner and few workers appointed to help owner, owner will be sitting on the cash counter to take money and order. Customers orders by standing outside the counter. Owner takes the order and tells the workers to give the required products to the consumers, owner checks the workers for the correct delivery of products. Consumers give cash to the owner who is sitting on the counter. This is how the activity is being done in mom and pop store and traditional kirana stores. These stores will not give discounts and offers until and unless the company and wholesalers provide it. (Bajaj, Tuli and Srivastava)

1.5 **LITERATURE REVIEW**

In past, there was barter system of marketing, after that festival crowd, weekly fair etc were found, still we can see weekly fair, festival crowd, saptahik bazaar, mela etc. in rural areas of India. In the period of barter system, value proportion was not in systematic way due to various reasons. In those days, there was no medium of exchange, money for measuring goods and services. So, people used to exchange their goods and services between themselves and fulfill their requirement. In those days price of a horse and ten
kilogram of rice was same, none was there to say that value of a horse should be greater than ten kilogram of rice. In that period no one was retailer. Because each and every people had to buy goods for their consumption, a person may have a cow but he has no rice to cook, so he is bound to exchange cow milk with rice. At that, time value was not in a trend. Only consumers were busy in satisfying their basic requirements.

Barter system has some disadvantages like, it occur between two people, both would need to what the other wants. secondly, absence of common measure of value. In a monetary economy, money plays the role of measure of value of all goods and services, so there values can be measured against each other, this role may be absent in a barter economy. Thirdly, if a person wants to buy a certain amount of another's goods, but only has for payment one indivisible unit of another good which is worth more than what the person wants to obtain, a barter transaction cannot occur. Forth, Lack of standards for delayed payments. This is related to the absence of a common measure of value, although if the debt is denominated in units of the good that will eventually be used in payment, it is not a problem. Finally, difficulty in storing wealth. If a society relies exclusively on perishable goods, storing wealth for the future may be impractical. However, some barter economies rely on durable goods like pigs or cattle for this purpose.

(Wikipedia, free encyclopedia)

After barter system, the coins and paper currency became a powerful mode of trade and economy in the modern world and gained acceptance worldwide. It became 'god' to some and a necessity, the means to survival for others.

Such was the importance of the currency notes that man chased the currency as if it were the god in modern times. The paper note becomes synonymous with the concept of money in the modern society.

However, money in and of itself, is nothing. It can be a shell, a metal coin, or a piece of paper with a historic image on it, but the value that people place on it has nothing to do with the physical value of the money. Money derives its value by being a medium of exchange, a unit of measurement and a storehouse for wealth. Money allows people to trade goods and services indirectly, understand the price of goods and give us a way to save for larger purchases in the future.

The importance of pricing decision is growing because today’s customers are looking for good value when they buy goods and services. Value is the relationship of what the customer gets (goods/services) to what he or she has to pay for it. (McGraw-hill tata 2003) To some people good value means always getting a low price. Some customers are
price sensitive; some are willing to pay extra as long as they believe they are getting their money’s worth in terms of product quality or service. The meaning of consumer value varies from consumer to consumer for the same product. Zeithmal (1988) identified four diverse meaning of value: (1) value is low price, (2) value is whatever one wants in a product, (3) value is the quality that consumer receives for the price paid and (4) value is what the consumer gets for what he or she gives.

Piri Suncana (2012) examined the three models of the consumer’s perceived value formation. The paper was aimed at determining which of these approaches has a better foundation in empirical data. Research results showed that while all the three models are characterized by a satisfactory level of fit to the empirical data, the model measuring direct effects of perceived performance and perceived financial risk on perceived value has the strongest foundation in the empirical data; it means that the consumer risk perception in the purchase process is the best indication of the consumer value perception. This confirmed once again that perceived value should not be viewed solely as a simple ratio of the costs to the benefits that the consumer perceives as likely to be realized in the purchase process. Since the research has shown value perceptions to be affected by changes in the perceived (performance and financial) risk to the greatest extent, companies should undertake adequate marketing activities in the pre-purchase period (e.g. by distributing free product samples, guaranteeing a refund in case of consumer dissatisfaction with the product etc.) in an attempt at reducing the consumer perception of potential losses (non-monetary and monetary). Undoubtedly, companies need to continually improve the quality of their products and communicate it to consumers. (Piri Suncana 2012).

Zeithmal (1988, p.14) captured essence of all the four diverse meaning by defining perceived value as “the consumer’s overall assessment of the utility of a product based on a perception of what is received and what is given.” Although, what is received and what is given varies across consumer value “represents a tradeoff of salient give and get components” (Zeithmal 1988, p.14) The benefit components of value include salient intrinsic attributes, extrinsic attributes, perceived quality and other aspects such as convenience and appreciation. The sacrifice components of perceived value include both monetary prices and non-monetary prices such as time, energy, and effort to obtain products and services.

There is no single widely approved definition for a customer value proposition (Anderson et al., 2006). However, lots of authors agree on two issues: a customer value proposition
should be defined from the customer viewpoint, and it has a key strategic role within the organization in search of competitive advantage.

Anderson et al., 2006; Webster, 1994). Customer value and competitive advantage are two interrelated but independent streams of literature that can be used in identifying successful customer value propositions. For example, Webster (1994, p. 25) defines a value proposition as: the verbal statement that matches up the firm’s distinctive competencies with the needs and preferences of a carefully defined set of potential customers. It’s a communication device that links the people in an organization with its customers, concentrating employee efforts and customer expectations on things that the company does best in a system for delivering superior value. The value proposition creates a shared understanding needed to form a long-term relationship that meets the goals of both the company and its customers. Definitions of customer value vary from simply identifying product attributes to understanding the consequences of consumption experiences: for one customer, “value is low price” and for another “what I get vs. what I give” (Zeithaml, 1988). Attribute-based definitions are the first step. From the value proposition perspective, definitions based on the consequences of the attributes are more efficient, because they reveal how customers make use of the offering in real life (the value-in-use perspective) (Woodruff, 1997). The positive consequences are the benefits that the customer derives from the offering. Conversely, negative consequences are the sacrifices (monetary and non-monetary costs) to the customer of obtaining the benefits. When customers perceive greater benefits than sacrifices, customer value is created. It follows that a generic definition of customer value is that of a tradeoff between benefits and sacrifices (Gale, 1994; Zeithaml, 1988).

The perception of customer value is interactive, between customer and offering, as well as relativistic between people and situations, preferential, and based on a holistic experience (Holbrook, 1999).

Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004) have emphasized the interactive, relativistic, and experiential nature of customer value under the topic of value co-creation. From the value proposition perspective, Ballantyne and Varey (2006) note that “value propositions are reciprocal promises of value, operating to and from suppliers and customers seeking an equitable exchange”. It follows that a good value proposition is specific enough to recognize the unique nature of subjective and interactive consumption
experiences but general enough to attract adequate customer segments with homogenous value needs. For Webster (1994b, pp. 107-108), value proposition equates to a positioning statement because it defines “who is the target customer?” as well as “why should the customer buy it?” and “what are we selling?” but is not limited to communication purposes only. Anderson et al. (2006) define three kinds of customer value propositions: all benefits, favorable points of difference and resonating focus. “All benefits” value propositions are based simply on listing the positive features and outcomes of buying and using the product or service. The other two (of which resonating focus is considered the more advanced) are more sophisticated and are based on points of parity with and points of difference from the competitive offerings. In order to deliver the value that is taken for granted by the market, the company needs to have points of parity in its value proposition. “Points of parity are elements with essentially the same performance or functionality as those of the next best alternative,” according to Anderson et al. (2006, p. 94). In order to differentiate itself from its competition, the company needs to have points of difference in its value proposition.

Anderson et al. (2006, p. 94) explain, “Points of difference are elements that make the supplier’s offering either superior or inferior to the next best alternative”. Points of parity and points of difference refer to different customer value dimensions that aim at competitive advantage. Competitive advantage and customer value are linked through value delivery (or value creation), which should be reflected in the value proposition.

Rintamaki Timo and Kuusela Hannu (2007) In their study they suggests a framework for identifying competitive customer value propositions (CVPs) where four hierarchical key dimensions of customer value – economic, functional, emotional, and symbolic – are first identified. In the second stage, a CVP is developed on the basis of value dimensions. In the third stage, the CVP is evaluated for competitive advantage. It is proposed that economic and also functional CVPs are more likely to represent points of similarity, whereas emotional and social CVPs represent points of difference for retail companies seeking differentiation from their competition and gaining of competitive advantage.

Rintamaki Timo and Kuusela Hannu (2007)” Identifying competitive customer value propositions in retailing” Department of Management Studies, University of Tampere, Tampere, Finland, and Lasse Mitronen Kesko Corporation, Kesko, Finland
Cost in Value Addition made by retail outlet

Muralidharan (1981) compared the processing of sugarcane into sugar, gur and khandasari on Mandya district of Karnataka. It was found that the processing cost per quintal was Rs. 70.51, Rs. 43.05 and Rs. 116.66 for sugar, gur and Khandasari, respectively. Share of fixed cost in the total processing cost was 64.24 per cent in sugar units, 30.78 per cent in gur units and 17.29 per cent in case of khandasari units. Whereas, variable cost formed 35.76, 69.22 and 82.71 per cent for sugar, gur and khandasari, respectively.

Ipte and Borude (1982) in their study on economics of marketing and processing of cashewnut in Ratnagiri/Sindhudurg district of Maharashtra found that the per quintal cost of processing worked out to Rs. 161.42. The major items of cost were the container (14.44%), labour (21.92%) and interest on capital (46.03%). The value addition due to processing of raw nuts was Rs. 350.72 per quintal which worked out to 52.66 per cent.

Singh and Ali (1985) studied economics of mustard and rapeseed marketing in the western region of Uttara Pradesh. They found that the cost of processing was Rs. 20.98 per quintal. They suggested for establishment of expellers in co-operative basis.

Hassan and Raghuram (1987) in their study on cashew processing and marketing in Prakasam district of Andhra Pradesh observed that drying of nuts, roasting of nuts, shelling of nuts, drying of shelled kernels, peeling of kernels, grading of kernels, conditioning of graded kernels and packing of graded kernels were the major stages in processing. The study reported that 80 kg of raw nuts when processed resulted in 22 kg of kernels (28% recovery). The processor incurred Rs. 87.06 as processing cost of which labour constituted 56.6 per cent and material cost stood at 42.5 per cent. Within the labour cost shelling accounted for higher proportion followed by peeling.

Verma (1989) studied the economics of processing and marketing of gur in Indore (Madhya Pradesh) and found that the average cost of processing of sugarcane under power kohlu units of gur was Rs 6.80 per quintal. Further it revealed that the cost of processing varied from mill to mill according to the level of capital investment, power and sugarcane crushed during the year.

Hemachand (1989) in his study on economics of processing units of arhar pulse in Narasighaper district (Madhya Pradesh) revealed that the fixed and variable costs
accounted for 45 per cent and 55 per cent, respectively. The costs of processing of arhar pulses worked out to Rs 61.62 per quintal.

Nagesh (1990) in his study on investment in production and marketing of cashew of Karnataka found that the overall cost of processing per quintal of raw nuts worked out to Rs. 553.54, out of which interest on capital itself formed 53.62 per cent of the total cost. This was followed by wages for piece rate workers (20.36%). The costs incurred on other items like administrative, overheads, salaries, depreciations, utilities, factory overheads and cost of packing material were found to be the least. The overall cost of production of kernels was found to be Rs. 1976.55 per quintal of raw nuts processed. The cost of raw material (Cashew nut) was the major component in cost of production of kernels accounting 71.99 per cent (Rs. 1423.01) of total cost.

Dalvi et al. (1992) studied economics of processing of cashew nut in Sindhudurg district of Maharashtra state and found that the cost of processing per quintal of cashew nut was Rs. 331.35 at an overall level. Out of the total cost, the major cost was the interest on fixed and working capital, accounting Rs. 21.55 (6.51%) and Rs. 148.16 (44.72%), respectively. The other items of costs were labour (13.74%) and tin containers (15.84%). The overall gross increase in the value of nuts worked out to Rs. 500.70 (45.96%) per tin and net increase was Rs. 174.50. Net added value worked out to 29.64 per cent. This was possible due to processing of raw nuts.

Venkatsheshaiah (1992) in his comparative study on groundnut processing units in three different categories viz, 3-chamber, 2-chamber and baby-expeller oil mill noted that the per quintal total processing costs amounted to Rs 2696.18, Rs 2606.13 and 2536.126 for baby expeller, 2-chamber and 3-chamber oil mills respectively. The average processing cost for these three categories amounted to Rs 2551.32 per quintal. Further he revealed that of the total processing cost (average) total fixed costs accounted for about 0.53 per cent while the total variable costs accounted for about 99.47 per cent. The fixed cost was comprised of salaries, depreciation and interest costs while the variable cost was comprised of raw material, labour wages, power and fuel packaging and incidental charges.
Singh et al. (1994) in a study on economics of marketing and processing of pulses in Banda district (Uttar Pradesh) observed that per quintal cost of processing of arhar, gram, and lentil was Rs. 831.67, Rs. 823.47 and Rs. 752.05, respectively.

Balasubramanian et al. (1996) in their study on pricing and transaction trend of raw cashewnut in India observed that the cost of production of kernel per quintal of cashewnut was maximum on raw cashewnut (70%) followed by processing labour (10.50%), purchase tax (5%), handling charges (5%), packing material (4.50%) and so on. The minor item of costs was transportation cost, fuels, factory overhead, administrative overhead and depreciation (0.10% each).

The study indicated different stages of processing for different commodities, percentage of value addition and the cost of production of finished products. The cost of production consists of the cost of raw material, which is a major item of cost accounted up to 75 per cent, interest on working capital and fixed capital (wages, salaries, and packing material) and other miscellaneous costs. However, researcher did not clearly delineate the different costs incurred in processing.

Gajanan and Subrahmanyam (2001) studied the marketing and exports of lemongrass oil in Kerala. The processing involves filtration to remove sediments, moisture and blended for standardizing central content, the processor observed shortage/loss of around one per cent during filtration of oil. The cost of processing of lemon grass oil was observed to be Rs 4.70 per kg.

Kumar et al. (2003) in examined the Indian research efforts in vegetable crops, new niches for vegetable production, and the impact of pest management research. It was indicated that the ongoing research programmes on vegetables addressing many emerging challenges, there is a wide scope for innovative improvements and a sharper focus on vegetable processing, value addition and quality control.

1.6 STATEMENT OF THE PROBLEM
Factors that shape and direct consumers choices are numerous and complex, especially when consumers have many options. This is true with the traditional retailing business which has been the soul option to the consumers till now in most of the small and remote commercial terms like Silchar, but the whole scenario has already started changing in quite
dramatic way. All new choice –option is emerging before the consumer here in terms of availability of number of branded products or the specialized or general organized outlets like Vishal, Influx, Big Bazar etc. consumers are also changing in the face of opportunity available to them and are going to be transformed in a significant way in due course and this is definitely going to affect the equation of Consumer Value Addition at present. How the consumer has perceived the change and responding here, how they have responded so far is the important question in this study. But the primary problem under the study is how the traditional retailers reading the new development in the marketing characteristics and in what way they need to transform themselves for satisfying the consumers through value addition.

The present work designed to study the transformational challenges of Traditional Retailing Business in Silchar Town and the management of the required changes in the line of changing expectations and demand of the consumers emancipating here in Silchar.

1.7 OBJECTIVES OF THE STUDY

1. To study the consumers perception regarding the consumer value addition in traditional retailing business in Silchar Town.
2. To study the retailers perception regarding the consumer value addition in traditional retailing business in Silchar Town.
3. To study the changing perception of consumers and retailers regarding the consumer value addition in post organized retailing business scenario in Silchar.
4. To study the prospects of transformation of traditional retailing business in Silchar.

1.8 HYPOTHESES

Ho1 There is no difference between consumers and retailers perception regarding consumers value addition in Silchar.

Ho2 There is no change in consumers and retailers perception regarding the consumer’s value in post organized retailing scenario in Silchar.

Ho3 Un-Organized retailing has not changed their business model of traditional business in Silchar Town.

1.9 RESEARCH METHODOLOGY

Types of Research: The research study is exploratory in nature.

Sampling Design:

- Population: Population includes consumers & retailers residing in Silchar
- **Sampling Units:** Household in case of consumers and the head of the business unit functioning in Silchar.

- **Sample Size:** One hundred households from the consumers set and one hundred retail business units from the retailers set.

- **Sample Area:** Total 28 wards of Silchar town.

**Method of Data Collection:** For collecting the data from the population we have used Convenience Sampling Method, included 28 wards of Silchar Town.

**Data Collection Instrument:** We have used the schedule to collect the primary data from the respondents.

**Sampling Method:** We have gathered secondary and primary data and collected information from the combination of these two data. Secondary data consists of information that already exists somewhere, having been collected for another purpose. We have gathered secondary data from various website, journal, article, thesis and books. The primary data has been collected with the help of a structured schedule from consumers group and retailers group

**Period of data collection:** the study was conducted in organized retail outlets (i.e. Vishal Mega Mart) and Traditional Retail business unit during the year 2010-2012 at Silchar.

**Tools for Data Analysis:** Multivariate Analysis Methods like; Factor Analysis, U-Test, Chi-square, Coefficient of contingency and Two sample median test are the main tools of data analysis and Ordinal scale was used for scaling purpose. Apart from it Z-test, Chi-square test is applied for the test of significance. Mean Median and Mode were also used for developing summary statistics.

**Report Presentation Format:** Used tabular and descriptive form of presentation for easy grasping of the findings.

1.10 SIGNIFICANCE OF THE STUDY

Modern marketing concept revolves around customer’s satisfaction. Retailers play an important role in meeting customer’s expectations by providing variety of goods in convenient size at economical prices as and when required by the customer at the convenient place. But it is posing challenges to the traditional business to their survival. It is not possible for the independent or traditional retailers to just copy the offers made by the organized retailers. But consumer value addition has a wider scope to incorporate other things, that to offer to the customers who may not be scale-efficient model for organized retailer. Still this phenomenon is not tested and it needs deeper study. After the arrival of
retail business in Silchar town, this study will assess the present state of the affairs regarding the traditional and organized retailing. And it may also help in understanding the challenges and find out the ways and means to come out of this testing time. Findings of this study may help to the policy makers to formulate proper policy for the development, survival and transformation of the sector for a better co-existence of the two business models together, if possible. So far, there is no such study in town like Silchar, which is remote and isolated from the main land of India. Still it is an important commercial town in Barak Valley. Definitely it is going to add existing knowledge and it may be an important aid for present and future study in similar cases.

1.11 LIMITATIONS OF THE STUDY
The aim of the study was to evaluate the perceptual structure of consumers / customers value addition and also the changing profile of business structure and models particularly in the light of new development taking place in Silchar in the area of organized retailing and general perceptual reformations of expectations among the consumers in general. The traditional retailers were may be awakening to such facts but there are no such academic attempt has been attempted here in this respect. Thus, all the limitations associated with the study of perception which is a very complicated concept and the geographical area of the study was limited to Silchar city of Assam and also the tools and techniques developed for such studies are also the limitation of the study.

1.12 ORIGINALITY AND NOVELTY OF THE STUDY
The researcher is of the view that this study is novel in the following respect:

a. So far so good no research has been done on traditional retail in Silchar city.

b. The study concerns itself with traditional retail in Silchar city which is unique in itself as it is developing city consisting of lower middle class people and surrounded by villages.

1.13 CHAPTER SCHEME
The chapter scheme for the present study is as follows:

**Chapter-I Introduction**
This chapter highlights the introduction of the study, which contains the statement of the problem, conceptual background of the subject matter, literature review, objectives, hypotheses, methodology, significance, limitations, and chapter scheme.

**Chapter-II Business and Demographic Profile of Silchar**
This chapter includes Business profile of Silchar: power, communication, market place, parking space, trained accountant, trained labour, Business Environment, Business
Composition & Dimension and Demography : income, age, gender, employment, education

Chapter-III Consumer Value addition in Traditional Retailing Business in Silchar: An Analysis of Perception of Consumers and Retailers
This chapter is based on objective no 1 and 2. On the basis of extensive literature review five components were identified add value to the customers satisfaction in a major way, namely proximity, store layout, quality good, price and one stop shopping. Following the consumers’ opinion over the components was recorded and analyzed results by applying factor analysis.

Chapter-IV Consumer Value Addition in Traditional Retailing Business in Silchar: A study of perceptual changes in post organized retailing
This chapter covers the objective number third i.e. to study the changing perception of consumers and retailers regarding the consumer value addition in post organized retailing business scenario in Silchar.

Chapter-V Business Model of Traditional Retailing in Post Organized Retailing Scenario – A Comparative Study
This chapter addressed the 4th objective with the help of the requisite data and information, this chapter gives a picture of contemporary business model of traditional retail business in Silchar town.

Chapter-VI Summary Conclusions and Suggestions
This chapter represents a summary of suggestions/recommendations which might emerge on the basis of the study.

References
Appendix
REFERENCES


**BIBLIOGRAPHY**


