Critical Success Factors Lead to Competitive Advantage for Supermarket Chains in Sri Lanka

P.V.G.P.N. Gunasekera, Y.G.D. De Silva, B.D. Gunawardane, and M.M.D. De S. Gunawardane

Abstract—Identifying and appropriately addressing the Critical Success Factors (CSFs) that prevail in an industry is essential to gaining and maintaining competitive advantage. Supermarkets in Sri Lanka are currently competing head-to-head; hence the importance of accurately identifying the Critical Success Factors of the industry and the relevance of each to achieving competitive advantage. This investigation collected observations involving 30 supermarkets sited in four major urban areas from among three leading chains in the country. Customer surveys involving 340 respondents assisted in identification of the factors they most valued in a supermarket. Furthermore, twelve supermarket managers were interviewed to determine their conception of the factors that customers valued. The reasoning is; the higher the degree of congruence between the managers’ and customers’ ideas relating to factors of value, the higher the competitive advantage. The most valued critical success factors were quality, range, price, location and environment. Thus, the supermarket chains assessed; Supermarket A, Supermarket B and Supermarket C are seen to achieve a competitive edge through addressing such critical success factors.

Keywords — Critical success factors, Competitive advantage, Supermarket, Urban regions, Threshold capabilities

I. INTRODUCTION

According to a Central Bank of Sri Lanka Report in 2011, the Retail Industry drives a larger proportion of the Sri Lankan economy [1], and therefore plays a significant role in building up the Gross Domestic Income of the country.

Among the service sub sector, the Wholesale and Retail Trade industries recorded a significant growth of 11.4 percent [2].

The supermarket chains in Sri Lanka have emerged as a major segment within the retailing industry and the industry is showing signs of continued robust growth.

This study is concerned with identifying prevailing critical success factors as relates to Sri Lankan Supermarkets with a view to exploring how they can be used to achieve competitive advantage.

A supermarket can be simply described as “a large self-service retail market that sells food and household goods” [3].

The research team selected three supermarket chains included in a list of the most valuable brands in Sri Lanka 2011by the Peoples Bank [4] as representative samples for the research.

Johnson, Scholes and Wittington 2009 defined Critical Success Factors as ‘those product or service features that are particularly valued by a group of customers and, therefore, where the organization must excel to outperform competition’ [5].

Porter [6] says “competitive advantage is at the heart of a firm’s performance in competitive markets”. Accordingly, the research objectives are formulated as below:

The main objectives were:
- To ascertain Critical Success Factors for supermarkets

Identifying the most appealing factors to customers in terms of supermarkets which makes a customer patronise on a certain supermarket.

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II. LITERATURE REVIEW

The most frequently cited definition according to Rockart 1979 uses ideas from Daniel 1961 and Anthony et al.1972 in defining CSF as “the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization” [7].

Furthermore in relation to identifying CSFs the research team has identified several CSFs using the past studies conducted by many researchers. As a result of compiling past related studies, researchers found entertainment and varies hedonic aspects , location convenience, in store environment, wide range of products and services, customer service, fare prices, discounts are essentially considered by customers when it comes to supermarkets[8].

III. METHODOLOGY

This study was conducted within urban regions in Sri Lanka. The researchers opted for a stratified random sampling method and the four districts (sub-populations) of Colombo, Gampaha, Kandy and Kurunegala were selected for the survey. Random samples were collected from within each district.

Using past studies, the research team developed a list of 12 critical success factors which were then validated to some extent through passive observation. A customer survey that included these CSFs was then developed and administered.

The data so gathered was supported by semi structured interviews with several outlet managers. The main objective was to find out the extent to which the thinking of the management of each supermarket aligned with customer expectations as revealed by the survey. The research team used the same set of question/items in both the customer surveys and management interviews to better tally the perceptions. Moreover, researchers used government publications and annual reports as paper based sources to gather secondary data.

The research team took a number of steps to ensure validity and reliability of data collected from both primary and secondary sources. A review of literature was the base on which CSFs were formulated. The customer surveys were reviewed by different individuals in order to ensure that the
target group could clearly understand the questions posed and could respond appropriately. CSF’s were written down on a set of cards, one CSF to each card, to facilitate respondents to indicate their order of preference. The questionnaire was administered in both English and Sinhala so that the sampling would be more inclusive. Direct observations and head counts helped gain additional knowledge about the current state of the industry.

The research team assumed that the customer preference in all the districts that comes under the research sample is similar and the customers are equally cost and quality conscious. It was also assumed that the sample chosen is representative of the total population and that the respondents answered the customer survey questions and interviews in a truthful manner.

### IV. RESULTS

**A. Description of the Sample**

The research team had selected Colombo, Gampaha, Kandy and Kurunegala as the population of the study since these are the top four districts to fulfill the criterion under the definition of urban regions: “urban area means an area of continuous urban development. An urban area will virtually never be the same as a municipality. Usually it will include many municipalities, though in the case of many geographically large municipalities, such as Anchorage or Shanghai, the urban area will be smaller than the core city”[8]. The team used stratified random sampling to observe a sample of the population - a total of 340 customer surveys from those districts were collected respectively.

**B. Analysis**

Most valued CSFs were identified from the analysis are shown in Fig. 01.

According to the information presented in Fig.01, the most valued CSFs of leading supermarket chains were identified as quality, range, price, location and environment.

Based on the customer rankings for most valued CSFs, the researchers then analysed the sample further to identify how many customers were belonged to each supermarket chain under each highly valued CSF. This could illustrate as the expected level of the customers for their supermarket to address their most wanted CSFs. This gave the idea about the current level of the supermarkets when it comes to address highly valued CSF’s and showed which supermarket chain has succeeded so far by achieving the most valued CSFs.

To arrive at this finding, the respondents were asked to rate their current satisfaction level regarding each CSF in their selected supermarket chain according to a scale of 1 to 5 where 1 is the lowest and 5 is the highest. Those average scores are shown in the Table 01.

According to Table 01, Supermarket C was given the highest score for range by the respondents; where as Supermarket A has scored more in quality, price and location. Supermarket B seems to be operating head to head with Supermarket C and in fact they have beaten Supermarket C in environment aspect.

The researchers then found out the actual satisfaction level of the customers for each CSF regarding their favourite supermarket. This was calculated as a percentage of customers who prioritised a specific CSF under each supermarket chain, dividing it from the total sample, and converting it into a percentage value. These figures are show in Table 02. However these findings seems to be somewhat contradict with the findings show in Table 01.

According to Table 02, respondents were more satisfied with the quality range and environment at Supermarket C than other supermarkets. This is contradicting with the findings in Table 01, where customers’ ranked quality as a high priority although they have selected Supermarket A as their favourite supermarket. This simply indicates that Supermarket A customers are not satisfied with the quality level of Supermarket A despite their preference towards quality as a key factor. Moreover they have given more marks for the environment at Supermarket C rather than Supermarket B, which had obtained a higher value in Table 01. This has indicated that even though the customers expected a certain

### TABLE 01

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Quality</th>
<th>Range</th>
<th>Price</th>
<th>Location</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket C</td>
<td>74%</td>
<td>87%</td>
<td>48%</td>
<td>62%</td>
<td>77%</td>
</tr>
<tr>
<td>Supermarket B</td>
<td>71%</td>
<td>70%</td>
<td>59%</td>
<td>72%</td>
<td>75%</td>
</tr>
<tr>
<td>Supermarket A</td>
<td>62%</td>
<td>51%</td>
<td>79%</td>
<td>73%</td>
<td>52%</td>
</tr>
</tbody>
</table>

The researchers then found out the actual satisfaction level of the customers for each CSF regarding their favourite supermarket. This was calculated as a percentage of customers who prioritised a specific CSF under each supermarket chain, dividing it from the total sample, and converting it into a percentage value. These figures are show in Table 02. However these findings seems to be somewhat contradict with the findings show in Table 01.

### TABLE 02

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Quality</th>
<th>Range</th>
<th>Price</th>
<th>Location</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket C</td>
<td>29.5%</td>
<td>41.4%</td>
<td>18.5%</td>
<td>21.3%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Supermarket B</td>
<td>31.8%</td>
<td>36.2%</td>
<td>27.8%</td>
<td>31.9%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Supermarket A</td>
<td>38.6%</td>
<td>22.4%</td>
<td>53.7%</td>
<td>46.8%</td>
<td>23.1%</td>
</tr>
</tbody>
</table>

1Environment referred to cleanliness (inside and outside the supermarket), dress code of the employees and experience inside the supermarket (A/C, music, TV)
level of satisfaction regarding their highly valued CSFs from their favourite supermarkets, they are not satisfied with the available or the current level.

Fig. 02, describes the overall customer satisfaction level for each leading supermarket chain based on customer rankings for most valued CSFs in their favourite supermarket.

These values were calculated by summing up the total scores given by the customers for each supermarket’s most valued CSF’s and then dividing it by number of most valued CSF’s and converting it into a percentage.

According to Fig. 02, it was evident that customers are giving the highest scores for Supermarket C, considering the overall satisfaction level of Supermarket C. Supermarket B is having only a narrow gap with Supermarket C by having a good all round performance but Supermarket A needs to perform much better to do the catching up even though they have obtained higher customer satisfaction levels with price and location.

The team conducted a semi structured interview with a selected group of supermarket managers representing all three leading supermarkets, covering the selected districts. These management interviews explained the extent that management’s view has been in line with customers’ view on what are the most important CSFs. This was to identify the level of alignment that exists between what the management thinks as important for them and what the customer thinks as important for them. The point where those two opinions are tallying has helped to generate a competitive advantage for that supermarket over the others. In order to arrive at this, the team used no.1 ranked CSF’s and no.2 ranked CSF’s by the managers in the management survey. The results are shown in Table 03.

The team summed the results of the no.1 ranked CSF according to the management along with no.2 ranked CSF for them and then got the average value and then converted it into a percentage. The team then converted the average scores illustrated in the Table 02 into percentage values so that it could be relatively compared with the percentage values in management’s preference. According to those values, the team identified the supermarket which is having the competitive advantage for each top valued CSF.

According to these findings, 74% of the customers seem to be satisfied with the quality of products and services of Supermarket C and 87% of them have given high scores for the range at Supermarket C. Consequently, Supermarket C management is aligning with the customer expectations for quality and range at 50% and 37.5% respectively. In that point there is a tally of what management thinks as important and what customers think as important and the management seems to be catering to those expectations of the customers. Therefore Supermarket C is having a competitive advantage over Supermarket B and Supermarket A, considering the quality and range.

When it comes to the next most valued CSFs, Supermarket A has the highest average customer satisfaction for price and location which is 79% and 72% respectively. This is in line with what the management thinks as important CSFs for them. Supermarket A management has the highest alignment with customer preference for price and location which is 50% and 25%. Therefore they have the competitive edge over price and location.

C. Identifying the Competitive Advantage

The research team used a definition for competitive advantage in order to identify the competitive advantage. Porter (1985), defined how to identify a competitive advantage as “to gain competitive advantage over its rivals, a firm must either provide comparable buyer value but perform activities more efficiently than its competitors (lower cost), or provide activities in a unique way that creates greater buyer value and commands a premium price (differentiation)”[9].

According to this clarification, the team tracked down the number of customers going to supermarkets during both peak and off peak hours and both on week days and weekends. The team conducted this observation for all four districts. This was to identify which supermarket chain is preferred by the customers. If a certain supermarket chain happened to attract more customers than their competitors, that supermarket chain possesses a competitive edge over other supermarkets. These head count results are indicated in Fig. 03.

According to Fig. 03, Supermarket C is having a competitive advantage over Supermarket B and Supermarket A. These head count results reassured the validity of the analysis conducted previously.
Supermarket C is getting the highest amount of customers, this could be due to the fact that Supermarket C is more focused in delivering both quality and range factors into higher satisfaction level while other supermarket’s customers are not similarly satisfied with what Supermarket B and Supermarket A has delivered in terms of quality and range factors. When it comes to location and price, Supermarket A is having the competitive edge whereas Supermarket B operates in a state of in between cost and quality where their strategies have taken them somewhat closer to the position of Supermarket C. However there is healthy competition existing among leading supermarket chains hence as a percentage, Supermarket C and Supermarket A has only a 6% gap in terms of customer head count and similarly Supermarket B has only a 5% gap (Fig.03).

In this study there are different CSFs that been a source of competitive advantage for different supermarket chains one can chose to be more cost oriented in their strategic approach whereas the others can provide uniqueness and ask for premium price to be more differentiation oriented in their strategic approach. Therefore according to what the research team has found, each leading supermarket chain can achieve a competitive advantage as follows:

I. Supermarket C - achieves competitive advantage through quality products and services and their wide range compared to other supermarket chains

II. Supermarket B - achieves competitive advantage via providing better all-around experience for the customer in quality, price, and range even if Supermarket B has not satisfied a specific CSF to the highest level, Supermarket B still has the better overall satisfaction more than Supermarket A and just a fraction short compared to Supermarket C.

III. Supermarket A - achieves competitive advantage via providing better prices and a wide network of outlets.

VI. RECOMMENDATIONS

The research team has identified common factors where supermarket should be considering disregard less of supermarkets positioning strategies. Based on the data analysis researchers recommend factors such as quality, range, price, location and environment are most important in general to any supermarket to gain competitive advantage, moreover research team also identified several specific recommendations for the managements of each supermarket chains which has been researched in this study, in order to improve their strategic capabilities to achieve a competitive advantage based on each supermarkets positioning strategy. Furthermore researchers have pointed out some other recommendations to the future researchers who are willing to conduct a research in the same industry.

A. Recommendations to Supermarket A Management

- Improve the quality of products and services at their outlets
- Improve the range of products and services at their outlets
- Concentrate more on in store and surrounding environment of supermarket outlets

B. Recommendations to Supermarket B Management

- Improve the constancy of purpose : The consistency was not there in both pricing and location factors although they have succeeded in environment factors regardless higher customer expectations. This might lead to decrease sales and threshold capabilities of the company.

C. Recommendations to Supermarket B Managements

- Deliver a better value for price since customers are finding products and services are somewhat expensive.
- Widen the network into different profitable locations

D. Recommendations for the future researchers

- Apply the results of the study into the wholesale and retail trade industry when conducting future researches.
- Conduct researches regarding threshold capabilities of supermarkets.

REFERENCES