

STORE LOYALTY BEHAVIOR OF URBAN SHOPPERS: A COMPARATIVE STUDY BETWEEN ORGANIZED AND UNORGANIZED RETAIL

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By

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Statement of Authorship

I hereby declare that this submission titled 'Store Loyalty Behavior of Urban Shoppers: A Comparative Study between Organized and Unorganized Retail' is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of universities or other institutes of higher learning, except where due acknowledgment has been made in the text.

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To Whom It May Concern

This is to certify that the PhD Thesis titled 'Store Loyalty Behavior of Urban Shoppers: A Comparative Study between Organized and Unorganized Retail' is an original work carried out by Mr. Shuvendu Dey under my guidance and no part of this work has been presented for any other degree, diploma, fellowship or other similar titles.

Place: University of North Bengal

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Abstract

A store's continued existence and success to a great extent depend on customer loyalty. Store loyal customers purchase more often, try other products stocked by the store and bring in new customers for the store through positive word of mouth. Depending on the store type, organized and unorganized store loyalty is affected by various factors like trust, value for money, availability, display, satisfaction, ambience, location and so forth. Loyalty is associated with the success and profitability of a firm. Consequently, customer loyalty provides an underpinning to study the relationship among customer relationship activities, value creation programs and marketing strategies.

Retailing is the largest private industry in India and second largest employment sector after agriculture. Domestic enterprises have already ventured in the field of multi-brand retailing in the past few years. Although the consumers have gained from these enterprises, concerns have been expressed by various quarters on the benefit to the farmers. FDI in retail is expected to create a win-win state of affairs for the enterprise, farmers, suppliers, consumers as well as the country's economy. The Indian retail sector is still predominantly unorganized in nature. Thus it provides great opportunity for both domestic and foreign retailers. However, retailers irrespective of being in the organized or unorganized sector, should not at any point of time disregard the fact that customer happens to be the king.

This study explored the various determinants of store loyalty and their relative importance in recruitment and retention of customers. The findings of the survey emphasize on more effective strategy formulation by the retailers taking into account the various important dimensions and help in the long term retention of the customers assuring them of continued patronage and share of wallet. The broad objective of the study was to develop a relationship framework by considering store loyalty as the dependent variable and a set of independent variables such as customer satisfaction, trust, value for money, demographics, shopping convenience, social class, ambience,

availability, display and so forth in the context of the consumers drawn mainly from the four metros, New Delhi, Mumbai, Kolkata, and Chennai. Some tier I, II and III cities from different parts of the country have also been considered to make the study more representative and lend it a pan-Indian character that included Bangalore, Hyderabad, Pune, Ahmedabad, Bhubaneswar, Ranchi, Guwahati, Jodhpur, Siliguri and Darjeeling. In this paper an effort has been made to establish the scale reliability and validity which is a sine qua non for any scientific measurement. The questionnaire has been diligently administered and the respondents were explained about the purpose of the study for which the data on multiple items were sought from them.

Notwithstanding the fact that the Indian retail sector is dominated by the unorganized format of retail, this paper guides through the two different retail segments presently operating in India and the patronage behavior of customers towards these segments. India is often referred as the nation of shopkeepers out of which the majority comprises small neighborhood stores, also known as *kiranas*. This paper reviewed diverse literature to understand the factors which affect the customer patronage behavior of various retail formats. This study tried to find the responses and patronage behavior of urban customers towards traditional as well as the modern retailers. The results reveal that all the variables included in the study are significant in at least one of the retail segments. Differences perceived by customers between the small stores and modern retailers are covered in the study to understand the influence of specific decision variables in the selection of a particular retail format. The inference is that factors like good ambience and attractive display drive a customer towards modern retailers while trust and satisfaction and the like attract customers towards small stores.

The findings of this study could have significant implications for India's retail industry. It is revealed that the relatively young shoppers exhibit lesser degree of trust towards organized stores. Similar result has been expressed in case of unorganized retail. The variability in the response pattern is more or less same for the shoppers across different age categories. It is observed that lower the age of the respondents, lower would be their trust for the organized store and lower the income of the respondents, lower would be their trust for the organized store. Retailers need to focus on loyalty boosting

strategies for engendering store loyalty, like increasing merchandise value perceptions and improving store atmosphere on the whole. Store loyal customers should be rewarded to create increased merchandize value perceptions. This can be achieved by activities like offering loyalty discounts, informing customers of savings should they choose to shop from the store, or using such tools like issuing loyalty cards, service personalization and community development among customers. Here, Customer Relationship Management (CRM) can prove to be a very handy tool in providing augmented value for existing customers. Retailer must also strive to provide customers with comprehensive information about products and warranties which goes to increase store merchandize value propositions. With regard to demographic factors, retailer should focus more on younger customers. Retailers should strive to attract more and more young customers in their fold by incorporating those elements that draw them towards their stores. Retailers also should make every effort to retain the loyalty of their women customers in general as findings indicate that women tend to score higher on store loyalty than men. Retailers need to emphasize on strategies which generate positive store affect and promote store loyalty in their customers by improving store atmosphere, crafting attractive layout or through emotional appeal oriented store advertising. To help locate potentially loyal customers, it is essential to explore symbolic store image in customers' minds in addition to customer self image characteristics. Moreover, retailers should communicate store characteristics to target customers.

Keywords: Retail, Store Loyalty, Customer, Organized, Unorganized

Preface

Store loyalty is of paramount importance for ensuring success in retail business. Hence, the concept of store loyalty has attracted considerable interest of the researchers and the academic circles during past few decades. It assumes further significance in times of economic recession, as customers may reassess their loyalty behavior when their earnings decrease. It is vital for retailers to be acquainted with those developments not only for the period of slump, but even in the future when recession subsides, because it is anticipated that customer behaviors and patterns in the recession phase may persist in the revival phase and beyond. This study is an honest attempt at investigating the store loyalty dimensions in the context of Indian market for the organized as well as the unorganized retail segments. In this sense it is a comparative study. The emphasis is on examining what factors go on to determine Indian consumers' store loyalty and the relative significance of these factors. The factors chosen for the present study include trust, ambience, satisfaction, availability, display and value for money.

The results of this study provide retailers with useful information about Indian customers' store loyalty determinants. Study results should be useful for Indian retailers when developing marketing strategies, while considering how retailer's can best position their stores and which store loyalty determinants marketers need to improve in order to maintain customer loyalty.

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At the outset, I would like to express sincere gratitude to my supervisor Dr. Debasis Bhattacharya for his support and guidance throughout my research project. His professional advice and patience helped tremendously with all aspects of my study and constantly rejuvenated me with much needed excitement and direction. I also take this opportunity to thank Prof. S. N. Dhar, Prof. D. Mitra, Prof. P. R. Sengupta and all other respected faculty members associated with the Department of Commerce, University of North Bengal, for their whole hearted encouragement and support. Dr. A. Ganguly, Principal-in-Charge, Siliguri Institute of Technology, played an important role too, by extending all sorts of cooperation towards completion of this research project.

In preparing this thesis, I was in contact with many other people, including researchers, academicians, and practitioners. I must also make a mention of my friends, acquaintances, batch mates and colleagues, ex and current, spread across the country for actively involving themselves in the role of respondents as well as for helping in administering the questionnaire. They have generously contributed towards my understanding and thoughts and I wish to express my sincere gratitude for their constant encouragement, guidance, friendship, and above all, their invaluable critiques. My fellow doctoral students should be recognized for their support too. My sincere appreciation extends to them and all others who have provided me assistance at various occasions. Their views and tips were useful indeed. Without their continued support and interest, this thesis would not have been the same as presented here. Unfortunately, it is not possible to list all of them in this limited space. I am profusely grateful to all my family members who have been a pillar of support and who have prevented me from giving up on the face of insurmountable obstacles, especially my mother, my wife and my little darling daughter Sanjivani, who has had to bear a lot by way of sacrificing quality time with her father. Let me wind up by noting that it is beyond lexis to thank God Almighty in whom I relentlessly believe for all the miraculous ways in which I have been prepared for an eternal cause, this thesis probably not so noteworthy an outcome thereof.

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CHAPTER- I

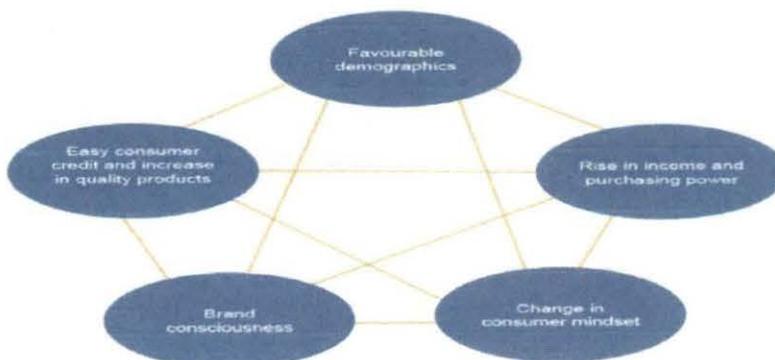
CONTEMPORARY RETAIL SCENARIO IN INDIA: AN OVERVIEW

1.1 Introduction

Retailing is the largest private industry in India and second largest employment sector after agriculture. It contributes about 10% to the gross domestic product (GDP) of India and generates 6-7% of employment as per India Brand Equity Foundation (IBEF, Retail: March 2013). The Indian retail industry is primarily divided into two segments: organized retail and unorganized or traditional retail. As per Indian Council for Research on International Economic Relations (ICRIER, 2005), any retail store chain that is professionally managed can be termed as organized retail in India if it has the following features: accounting transparency (with proper usage of MIS and accounting standards), organized supply chain management with centralized quality control and sourcing. Unorganized retail on the other hand, points towards any retail outlet that is run locally by the owner or the caretaker of the shop. Such outlets lack technical and accounting standardization. The supply chain and sourcing are also done locally to meet the local needs. The projection for the retail industry in India shows high growth potential on grounds of policy reforms, rising disposable incomes, booming consumerism, anticipated strong GDP growth and the introduction of latest technologies in the country. Also, foreign direct investment (FDI) in the multi-brand retail segment is expected to bring in big ticket investments and open up vast opportunities for consumers, the farmers and the industry.

Figure-1.1

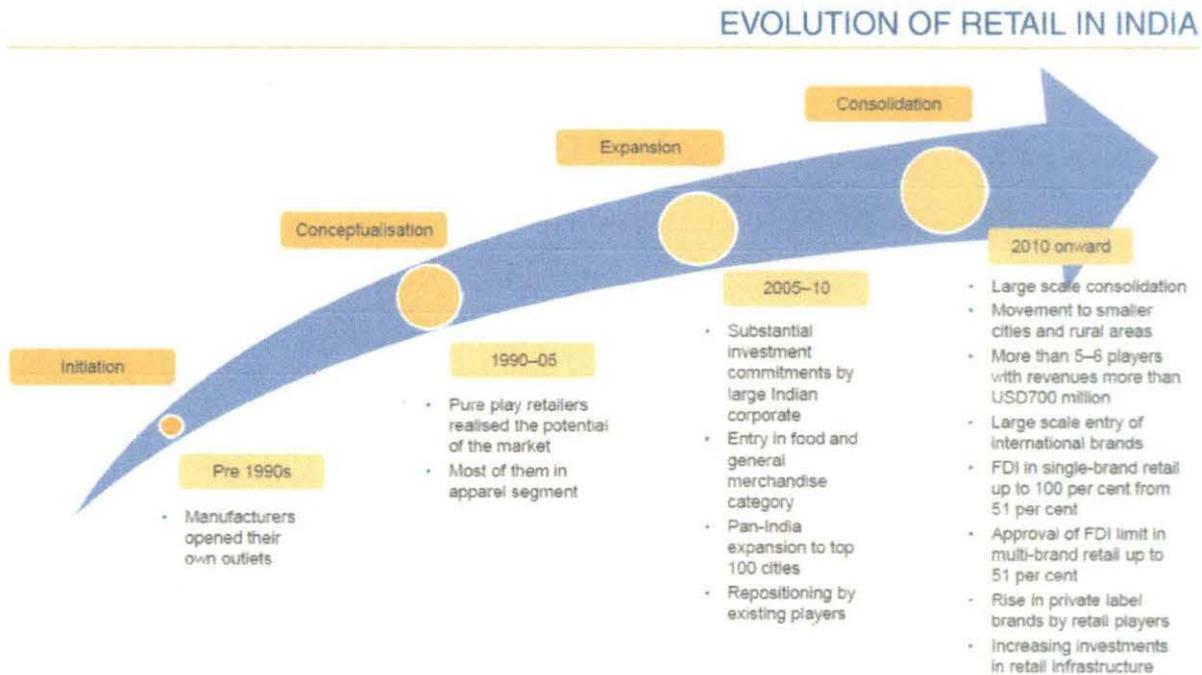
GROWTH DRIVERS FOR RETAIL IN INDIA



Source: IBEF, August 2013

Domestic enterprises have already ventured in the field of multi-brand retail in the past few years. Although the consumers have gained from these enterprises, concerns have been expressed by various quarters on the benefit to the farmers. This has been attributed to the failure of the government as well as the domestic players to create the necessary back-end infrastructure which could ensure seamless flow of goods from the farm gate to the end consumers. FDI in retail is now expected to change the scenario and create a win-win state of affairs for the enterprise, farmers, suppliers, consumers as well as the country's economy. It is likely to bring in adequate infrastructure creation, efficient management of the supply chain, controlled food inflation, better quality products and at the same time create abundant job opportunities directly as well as indirectly (Bhattacharya and Dey, 2014).

Figure-1.2
Evolution of Retail of India



Source: Technopak Advisors Pvt Ltd, Aranca Research

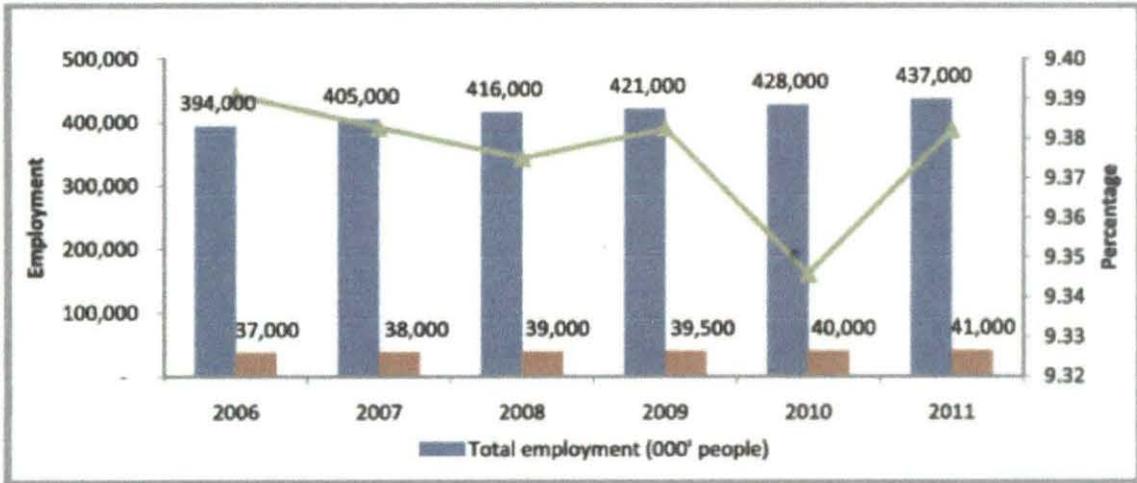
Source: IBEF, August: 2013

Even with a decelerating economic growth and a depreciating rupee, there has been a stable growth in the retail industry. Substantial effort to rein in rising prices resulted in

single digit inflation and the value sales of independent grocers and other retailers received a strong thrust which helped ensure all categories witness growth throughout the year. In addition, important factors driving retail growth in India included expanding urbanization, a greater diversity in new stores coming into the picture and global brands entering the Indian market. Indian retail is dominated by astoundingly large number of small retailers consisting of local *kirana* shops, dairy shops, green grocers, handcarts, pavement vends etc. which together make up the unorganized retail or traditional retail. As per Images F&R Research (2007), India has the highest retail density in the world comprising of more than 15 million retail outlets. The value sales of India's traditional stores accounted for more than 90% of the sales in the year 2011 (Sharma and Mohanty, 2005). The unorganized sector is expected to get bigger due to its relative proximity, goodwill, credit sales, bargaining opportunity, breaking bulk, convenient timings and home delivery. Although the last few years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities, the overall share of organized retail in total retail business has continued to stay low. In 10 years time, the share of organized retailing in total retailing has moved up from 10% to 40% in Brazil and 20% in China, while in India it is only about 6% (Images F&R Research, 2009). However, a recent study (IBEF, Retail: August 2013) pegs India's organized retail penetration slightly higher at 8%. One may compare this with the share of US organized retail which stands at 85%! According to ICRIER (2005), food and grocery is the leading retail sector across the globe. Food and grocery holds tremendous potential in case of India too. Food and grocery segment contributed 59.5% of the total retail revenue in 2007 valued at ₹ 7920 billion. The organized market constitutes just about 1.1% of the total food and grocery retail market valued at ₹ 90 billion (Images F&R Research, 2009) which points towards the unused retail prospect in India. Nevertheless, the retail market in India is one of the fastest growing markets in the world with more than a billion people engaged directly and indirectly. The traditional grocery retail is not only the largest contributor to the total grocery retailing in India, it also accounts for a substantial portion of total employment in the country. In fact, this became a major concern for the Indian Government while

deciding over the opening of FDI gates for India. The possibility of a monopolistic market, exploitation of farmers and loss of consumer base to global retail chains were other major areas of worry.

Figure 1.3
Employment Share of Retail in India

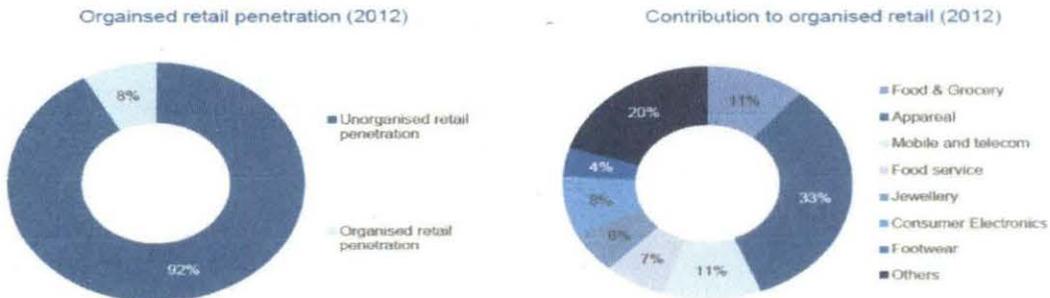


- The overall employment share of retail in India has hovered between 9.3% to 9.4% from 2006 to 2011
- In 2011, the retail sector provided employment to 41,000 people as compared to 37,000 in 2006 growing at a CAGR of 2%

Source: Food & Agribusiness Strategic Advisory and Research (FASAR) Team - YES BANK, 2012

Figure-1.4
Organized Retail Share of India

- ★ Organised Retail Penetration (ORP) in India is low (8 per cent) compared to other countries such as the US (85 per cent)
- ★ This indicates strong growth potential for organised retail in India

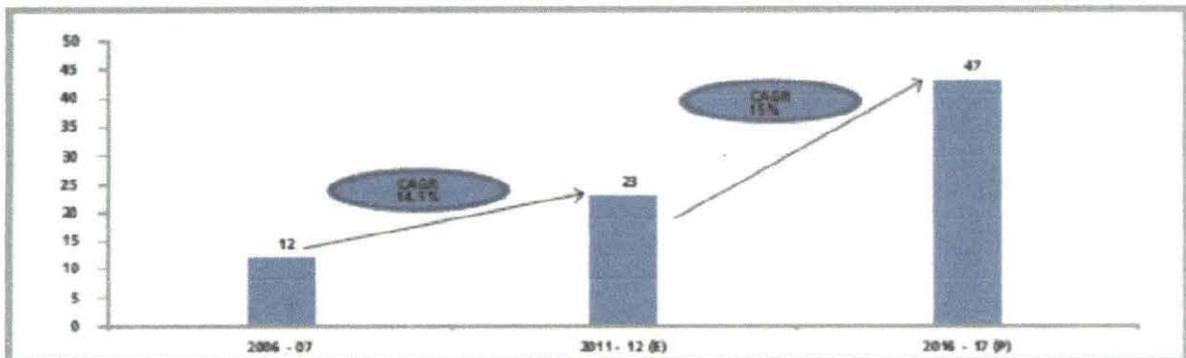


Source: indianretailing.com, E&Y Report, Aranca Research

Source: IBEF, August 2013

The Indian retail sector, which has been growing at an annual compounded rate of 5.9% since 1998 (IBEF, Retail: March 2013) with the current market size of USD 516 billion expected to reach USD 866 billion by 2015 (IBEF, Retail: August 2013), has caught the world's attention. Notwithstanding sociopolitical challenges and restrictions on foreign direct investment (FDI) in retail trading, the size of the Indian retail sector is excessively large to ignore. Moreover, India's strong growth fundamentals coupled with increased urbanization and consumerism provide immense scope for retail expansion both for domestic and foreign players (IBEF, Retail: Jan 2012). The Indian retail sector is beginning to live up to its vast potential with unorganized players predominantly controlling the market. On the other hand, with 97% of the business being generated by the unorganized sector, there is a staggeringly huge growth prospect for the organized sector too. The impressive scale of growth of the organized retail also shows the potential of the untapped sector which could grow from USD 290 billion in 2010 (Global Retail Report, Deloitte, 2011) and USD 395.96 billion in 2011 to a likely figure of USD 850 billion by 2020 (FICCI, Retail Sector Profile). During 2012-2016, organized retail is poised to grow at 24% or three times compared to the traditional retail, the expansion of which is pegged at 8% (A. T. Kearney, GRDI, 2011). As per a report jointly commissioned by Association of Chambers of Commerce and Industry of India (ASSOCHAM) and Yes Bank (2012), the overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15% over the next 5 years from ₹ 23 trillion in 2011-12 to ₹ 47 trillion in 2016-17.

Figure 1.5
Retail Growth in India (₹ Trillion)



P: Projected, E: Estimated

Source: Food & Agribusiness Strategic Advisory and Research (FASAR) Team - YES BANK, 2012

India has been an alluring investment destination due to its status of being one of the least competitive and saturated economies in the world (A. T. Kearney, GRDI, 2012). However, same-store sales volume growth was sluggish in 2012 across retail mainly for lifestyle and value based formats and as a consequence, India fell nine spots in the Global Retail Development Index (GRDI) from 5th to 14th (A. T. Kearney, GRDI, 2013).

Table 1.1
Country Rank-GRDI 2013

2013 Global Retail Development Index™

| 2013 rank | Country | Region | Market attractiveness (25%) | Country risk (25%) | Market saturation (25%) | Time pressure (25%) | GRDI score | Change in rank compared to 2012 |
|-----------|----------------------|--------------------|-----------------------------|--------------------|-------------------------|---------------------|------------|---------------------------------|
| 1 | Brazil | Latin America | 100.0 | 86.2 | 43.3 | 48.3 | 69.5 | — |
| 2 | Chile | Latin America | 95.6 | 100.0 | 18.7 | 54.3 | 67.1 | — |
| 3 | Uruguay | Latin America | 92.0 | 73.9 | 63.5 | 36.5 | 66.5 | +1 |
| 4 | China | Asia | 62.1 | 67.9 | 34.3 | 100.0 | 66.1 | -1 |
| 5 | United Arab Emirates | MENA | 96.8 | 94.8 | 3.0 | 60.8 | 63.5 | +2 |
| 6 | Turkey | Eastern Europe | 86.8 | 83.7 | 28.9 | 50.9 | 62.6 | +7 |
| 7 | Mongolia | Asia | 17.7 | 37.0 | 99.0 | 96.5 | 62.5 | +2 |
| 8 | Georgia | Central Asia | 36.6 | 63.8 | 63.4 | 61.9 | 61.4 | -2 |
| 9 | Kuwait | MENA | 87.8 | 87.1 | 36.4 | 22.2 | 58.4 | +3 |
| 10 | Armenia | Central Asia | 32.3 | 63.6 | 93.5 | 43.6 | 58.2 | N/A |
| 11 | Kazakhstan | Central Asia | 44.1 | 51.9 | 76.2 | 57.8 | 57.5 | +8 |
| 12 | Peru | Latin America | 52.9 | 60.4 | 63.4 | 49.3 | 56.5 | -2 |
| 13 | Malaysia | Asia | 63.4 | 95.8 | 22.0 | 39.8 | 55.3 | -2 |
| 14 | India | Asia | 36.8 | 59.4 | 63.3 | 60.6 | 55.0 | -9 |
| 15 | Sri Lanka | Asia | 16.6 | 60.5 | 81.8 | 58.6 | 54.4 | — |
| 16 | Saudi Arabia | MENA | 71.4 | 79.2 | 35.6 | 39.7 | 54.2 | -2 |
| 17 | Oman | MENA | 77.5 | 97.8 | 11.3 | 29.1 | 53.9 | -9 |
| 18 | Colombia | Latin America | 59.2 | 73.6 | 43.0 | 32.4 | 52.1 | +5 |
| 19 | Indonesia | Asia | 47.4 | 49.6 | 49.3 | 61.4 | 51.9 | -3 |
| 20 | Jordan | MENA | 53.1 | 85.0 | 65.9 | 19.6 | 50.9 | -2 |
| 21 | Mexico | Latin America | 73.0 | 75.0 | 12.1 | 30.6 | 49.2 | +7 |
| 22 | Panama | Latin America | 49.7 | 70.8 | 37.2 | 37.2 | 48.7 | +2 |
| 23 | Russia | Eastern Europe | 92.4 | 44.0 | 21.1 | 37.4 | 48.7 | +3 |
| 24 | Lebanon | MENA | 74.1 | 32.9 | 48.6 | 36.4 | 48.5 | -2 |
| 25 | Botswana | Sub-Saharan Africa | 38.7 | 82.0 | 31.8 | 38.5 | 47.8 | -5 |
| 26 | Namibia | Sub-Saharan Africa | 20.8 | 77.1 | 12.8 | 73.2 | 45.9 | N/A |
| 27 | Morocco | MENA | 30.1 | 60.9 | 48.7 | 44.0 | 45.8 | — |
| 28 | Macedonia | Eastern Europe | 40.7 | 42.3 | 56.0 | 43.9 | 45.7 | -7 |
| 29 | Azerbaijan | Central Asia | 28.5 | 26.0 | 90.3 | 37.3 | 45.5 | -12 |
| 30 | Albania | Eastern Europe | 30.6 | 35.0 | 73.6 | 40.9 | 45.1 | -5 |

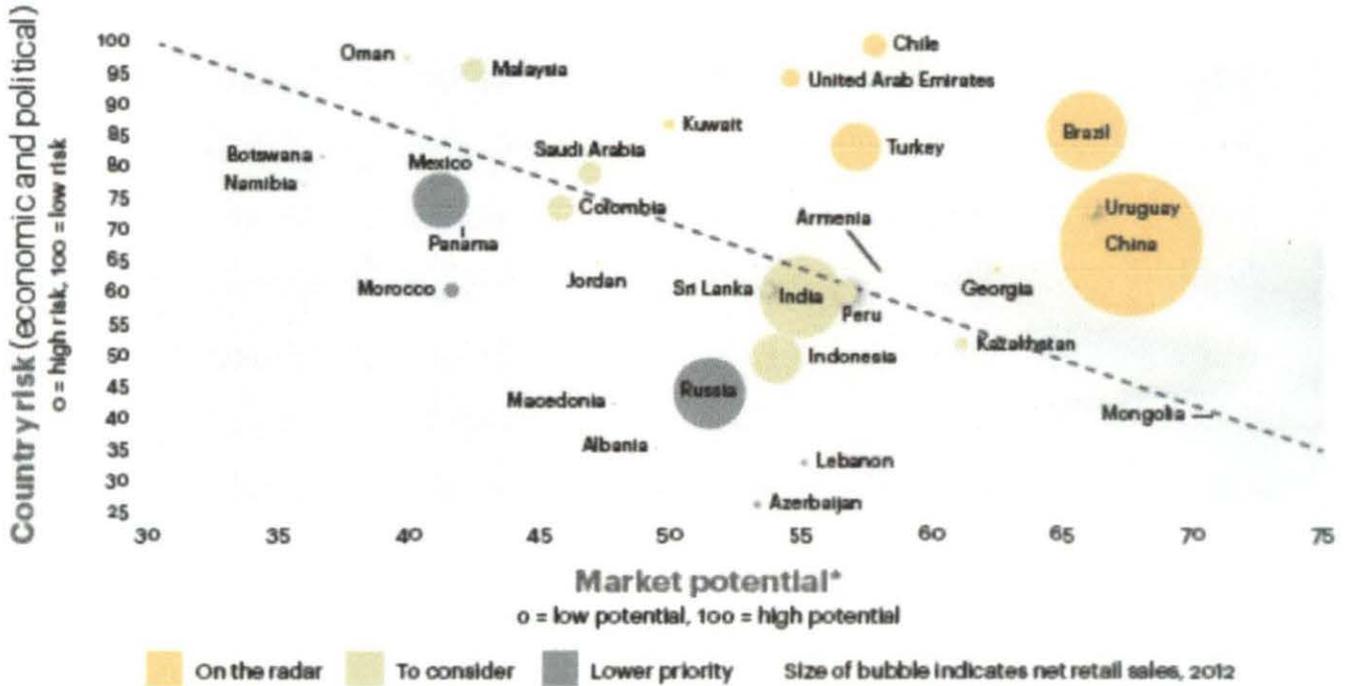


Notes: 2012 rankings have been updated to include revised data from Planet Retail to take into account prevailing macroeconomic conditions in the retail space. MENA - Middle East and North Africa.
Sources: Euromoney, Population Data Bureau, International Monetary Fund, World Bank, World Economic Forum, Economist Intelligence Unit, Planet Retail, A.T. Kearney analysis.

Source: A. T. Kearney, GRDI, 2013

Figure-1.6
Country Attractiveness-GRDI 2013

2013 GRDI country attractiveness



*Based on weighted score of market attractiveness, market saturation, and time pressure of top 30 countries
Source: Planet Retail, Economist Intelligence Unit; A.T. Kearney analysis

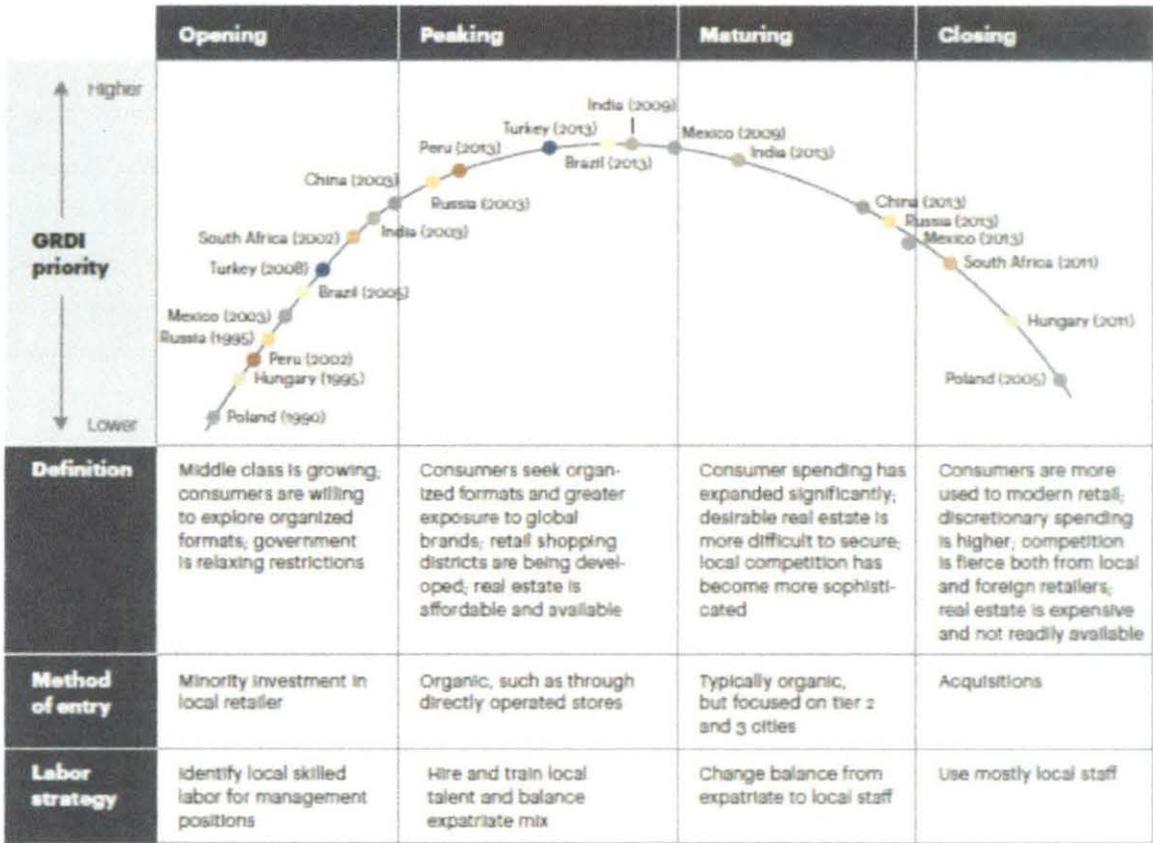
Source: A. T. Kearney, GRDI, 2013

In the recent years, global investors' destination choices have undergone a paradigm shift: from being 'efficiency seeking' to 'market seeking' (A. T. Kearney, GRDI, 2011). Moreover, export-driven sectors with tariff avoiding tendencies such as manufacturing, infrastructure and natural resources are giving way to more varied industries like retail, education, banking, tourism etc. (Palmade and Anayiotas, 2004). Governments across the continents have started taking notice of the resultant benefits in development, export boost and supply chain improvements that FDI in retail can provide, for instance Tesco in Thailand and Wal-Mart in Brazil progressively depend more on local products to augment their global supply chains. Global retailers are now stressing on the range of countries with varying levels of risk at different points of maturity and having distinct

consumer profiles to bring about a balance in short term and long term opportunities (Palmade and Anayiotas, 2004).

Figure 1.7
Country Opportunity Curve-GRDI 2013

The GRDI window-of-opportunity analysis



Source: A. T. Kearney, GRDI, 2013

It has been observed that FDI in retail has been a strong productivity growth driver in Brazil, Poland and Thailand, resulting in lower prices and higher consumption. Then again, for wholesalers and food processors, entry of large-scale foreign retailers also brings about improvements in the productivity chain. Retail also provides major support to the tourism industry. From the perspective of India, allowing FDI in the retail sector has been placed in the context of reining in inflation. It is suggested that organized storage and transport chains will help bring down transport and distribution losses by nearly 40% in the present supply chains, one of the factors pushing up food prices to

high and untenable levels (A. T. Kearney, GRDI, 2011). Therefore, it can be assumed that this ongoing retail sector investment liberalization could change the face of Indian retail by offering quality goods at lower prices to the consumer. Further, global retailers are also expected to utilize Indian goods for their worldwide outlets due to availability of cheap raw materials and work force resulting in an increase in Indian exports which is likely to have a positive impact on the balance of payment position.

Table-1.2

India's Organized Retail share vis a vis Major Asian Countries

| Country | Share of Organized Retail to Total retail |
|-------------|---|
| Malaysia | 55 |
| Thailand | 40 |
| China | 20 |
| Philippines | 35 |
| Indonesia | 25 |
| S. Korea | 15 |
| India | 8 |

Source: IBEF, August: 2013

1.2 Industry Analysis

Retail business is still at the evolutionary stage in India. A. T. Kearney (GRDI, 2006) asserts retail expansion ought to be a portfolio game where an optimal mix of countries, formats and operating models is the success recipe. Nevertheless, the time-honored unorganized formats like 'mom and pop' shops, hawkers, grocers etc. continue to co-exist with the modern formats of retailing. Interestingly, the very definition of 'retail' has changed. 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 (Association of Traders of Maharashtra v. Union of India, 2005). However, the conventional definition of a retail shop points to business premises where goods are

sold to the public or services are provided to the public, or to which the public is encouraged to negotiate for the supply of services. The emergence of e-commerce and m-commerce has ensured that the material (physical or territorial) component of the definition no longer holds true. These types of retailers manage to go beyond the barrier of direct personal contact and reach out to the public using alternative media. Customers get delivery at the place of their choice while they place orders online. It is to be noted here that judicial decisions on 'retail' all the time provided scope for such broad construction, signifying that delivery and sale need not be simultaneous or occurring at the same place.

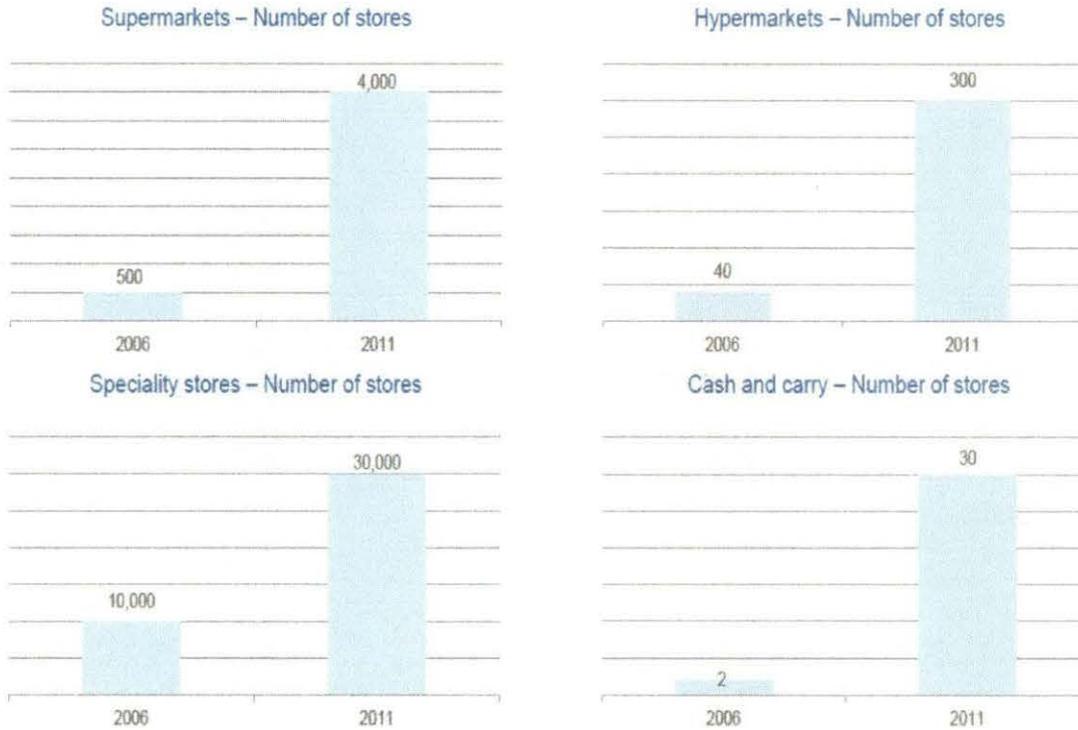
As mentioned earlier, retail expansion is a portfolio game. But the focus on the business to consumer format continues, which must be differentiated from the business to business dealings i.e. wholesale. Moreover, it is important to make a distinction between the terms 'retailing' and 'retail trading' which are interchangeably used. Retailing is a far broader term and retail trading is its subset which foresees the buying and selling of goods to retail consumers. Enterprises selling goods to retail consumers by undertaking manufacturing/contract manufacturing or by means of franchise and license agreements are said to be engaged in retailing and not retail trading. Procter & Gamble and KFC are examples of two such entities engaged in retailing in India.

India, with its huge population that is growing faster compared to most other countries, is a haven for retailers especially the smaller varieties which comprise the unorganized segment. Organized segment has also started to make an impact albeit on a smaller scale. The phenomenon is yet to catch momentum until the bigger players on the global stage begin full-fledged operations in the country. While various theories are making rounds about the likely impact of FDI in multi-brand retail in India, one can safely state that it would indeed be very interesting to witness the same once it actually takes place from the academic as well as professional view points.

1.2.1 Store Formats

Figure 1.8

ORGANISED RETAIL FORMATS



Source: indiaretailing.com, Aranca Research

Source: IBEF, August: 2013

Format happens to be a key strategic choice in modern retail, and retailers are coming up with various innovative formats to provide an edge to their products and services. The table below gives the features of some popular formats used in the retail sector: Big self-servicing outlets offering products from a variety of categories are termed as hypermarket and supermarkets. Pantaloon Retail launched the country's first hypermarket 'Big Bazaar' in 2001. Hypermarkets are projected to be the largest retail segment accounting for 21% of the total retail space by 2013–14 (IBEF, Retail: March 2013).

Table-1.3
Common Retail Formats

| Common Formats | Features |
|------------------------|---|
| Big box store | Large stand-alone store with varying market niches. |
| Category killer | A large retail chain store that is dominant in its product category offering an extensive selection of merchandise at prices so low that smaller stores cannot compete. |
| Chain store | One of a number of retail stores under the same ownership and dealing in the same merchandise. |
| Co-operative | Any organization that is owned and operated by all of its members for their mutual benefit. |
| Hardline | A departmental store or product line primarily consisting of merchandise such as hardware, housewares, automotive, electronics, sports goods, health and beauty aids or toys. |
| Softline | A departmental store or product line primarily consisting of merchandise such as clothing, footwear, linens and towels. |

Source: IBEF, March: 2013

Malls are the biggest form of organized retail in India which offers customers a mix of all types of products and services including entertainment and food under one roof. The slide in the Indian realty sector has surprisingly not held back the development of new malls across the country. As of May 2013, India has 570 operational malls with a total area of 180 million sq ft compared to just 225 malls five years ago. The average area of the top 15 malls across the country has moved up by 40% (6.17 lakh sq ft to 8.66 lakh sq ft) in the last three years (Times of India, August 8, 2013). Specialty stores are retail chains dealing in specific categories and offer a large variety. Bata, Khadims and Crossword Book Store are examples of specialty stores in India. Category killers, also known as Multi-Brand Outlets or MBOs, are specialty stores that provide a variety of product categories and are termed so since they focus on specific categories such as electronics and sporting goods.

India has customarily been familiar with department stores and discount stores. But increased urbanization and use of technology have spawned several new formats:

- i. Gas stations are providing amenities in the form of convenience stores, automated teller machine (ATM), food courts and pharmacies appearing in many outlets.
- ii. Vending machines, almost always identified with Japan's retail formats, are a comparatively new entrant to India.
- iii. Movement is being observed in the non-store retailing channels also. For example, home delivery e-commerce retail service like Local Banya.com and Ek Stop.com,
- iv. Other popular formats through the use of internet and mobile technology have also come up in the recent years.

Electronic commerce commonly known as e-commerce is becoming quite popular as it makes buying and selling of products or services very convenient through the electronic medium (click and buy method). Additional facilities include e-payment, home delivery and gift option. Many companies discovered e-commerce to be more profitable than traditional forms of promotion. Thus, international and local e-commerce retailers have started websites that provide Indian consumers a variety of products such as apparel, electronics, footwear, mobile phones, baby products, etc.

The selling and buying of goods and services making use of mobile devices and smart phones is referred as mobile commerce or m-commerce which is considered to be a subset of e-commerce. M-commerce provides benefits like personalization, flexibility, and distribution and also promises exceptional business potential, greater efficiency and higher productivity. The retail industry is also glad with the introduction of mobile internet services as it provides easy mobile payment options. However security worries are preventing the growth of m-commerce in India as banking regulations are coming in the way.

1.2.2 Prominent Retail Format Players in India

The following table lists the well known Retail players in various formats in India:

Table -1.4
Well Known Retail Players

| | |
|--------------------------------|--|
| Supermarket | Shoppers' Stop, Westside, Big Bazaar, Reliance Trends |
| Corner shops | Crossword |
| E-commerce | Flipkart, Fashionandyou, yebhi.com |
| Hypermarket | Pantaloon, Star Bazaar, Hypercity, Spencer, More |
| Small fashion stores | Fabindia |
| Cash and carry | Metro, Bharti-Wal-Mart, Carrefour |
| Discount Store | S Kumar's |
| Specialty | Titan Industries, Landmark |
| Large Electronic Stores | Croma, Vijay Sales |

Source: IBEF, March: 2013

1.2.3 Various Retail Categories in India

Food and Grocery Retail

Vision 2015 for Ministry of Food Processing Industries, Government of India, envisages the international food trade of India to rise to 3% from the present 1.6% (Agro & Food Processing data, Industries Department, Government of Tamilnadu). It is observed that majority of the food specific retail giants are concentrated in a particular area which may indicate a strategic pattern of completely inundating the markets after establishing market presence, and thereafter exploiting their efficiency and experience to expand into other areas. Food-World, a JV between the RPG Group of India and Dairy Farm International of the Jardine Matheson Group (Anand and Nambiar, 2003), is a case in point. Mass grocery retail (MGR) sales in India are projected to experience massive growth as an upshot of India's remarkable, speedy shift from small unorganized retailers

to large, modern stores. The organized food and grocery retail market in India was found to be worth USD 9 billion in 2011 and is likely to go up to USD 34 billion by 2016 at a CAGR of 30% as per a study conducted by Technopak (Emerging Trends in Indian Retail and Consumer, 2011). Moreover, the Eleventh Five Year Plan has laid down a target of 30 Mega Food Parks. Leading national brands in this format include Food Bazaar, Reliance Fresh and Nature's Basket. Carrefour, Metro and Wal-Mart are examples of leading international brands.

Apparel and Footwear Retail

Major retailing companies like Shoppers Stop and Cross-roads have set foot on the sector in line with current global trends. India finds itself among the top ten countries for growth opportunities while China is ranked highest in this segment (A.T. Kearney, GRDI, 2011). Consumers are estimated to spend a whopping USD 225 billion on clothing and footwear by 2020 (Boston Consultancy Group Report, 2012). Many joint ventures are also being forged e.g. the one between Future Ventures India Ltd. and Clarks Future Footwear Ltd., U.K. Another notable example is the JV in maternity garments, baby clothes and equipment segment between Mothercare, U.K. and DLF brands. Indian behemoths like Tata and Reliance have also ventured into these segments. Provogue, Wills Lifestyle, Reliance Footprint and Woodland lead the list of Indian Brands while the leading international brand names are Zara, Mango, Marks & Spencer, Charles & Keith and Hush Puppies.

Pharma Retail

The combined impact of mounting "lifestyle" diseases and climbing health care expenses, driven by a growing emphasis on wellness and nutrition, is expected to push up the spending in this segment to an expected USD183 billion in 2020 from USD 49 billion in 2010 (Boston Consultancy Group Report, 2012). Dr. Morepen (with Lifespring and Tango), Medicine Shoppe, Apollo Pharmacies, 98.4 from Global Healthline Private Ltd. and CRS Health are examples of some corporate houses who have already got into this segment.

Book and Music Retail

Crosswords, Reliance Timeout are the leading Indian brands, and Oxford Bookstore leads the international pack in this segment. This sector is growing at a healthy pace of 15% yearly fueled by increasingly common phenomenon of "gifting" gesture in India with books forming a hefty share of the business (Ernst & Young, 2006). According to the Images-KSA Study, the Indian music industry is worth ₹ 11 billion of which organized music retailing comprises about 14% or ₹ 1.5 billion only, whereas nearly 36% is consumed by the pirated market.

Consumer Durables Retail

The consumer durables market can be broadly classified into consumer electronics comprising of TV sets, audio systems, DVD players etc and home appliances like refrigerators, washing machines, microwave ovens, air conditioners and kitchen appliances. Many domestic and foreign players have entered this segment in the decade. Leading Indian brands in this sector are Croma, e-zone, Reliance Digital, Next Retail India etc. and leading International brands include Panasonic, Samsung, Sony etc.

1.2.4 Important Factors Determining Supply and Demand of the Retail Sector

India is just behind China among foremost consumer markets in the world according to the Boston Consulting Group Report of February 2012. Past few years have seen the whole concept of shopping going through a transformation with regard to format and consumer buying behavior. Aided by ever-increasing urbanization, the Indian consumer is coming through as more trend and brand conscious. He/she is also according more considerations to designs and quality as there is a greater focus on looking and feeling good.

Figure-1.9

GROWTH VALUE PROPOSITION



Source: KPMG International 2011, Azanca Research

Source: IBEF, August: 2013

But they are not to be fooled by retail products which are high on price but proportionately low on value or utility. The country's demographic pattern shows a large working population being in the age group of 24-35 years. Then, numbers of nuclear families and working women have also gone up which, coupled with an increase in and emerging opportunities in the service sector, have ensured rapid growth of the organized retail sector in India. On the whole, consumer spending is likely to go up by 3.6 times from USD 991 billion in 2010 to USD 3.6 trillion by 2020 clocking a growth rate of 14% per annum. It is projected that by 2020, India will contribute 5.8% towards world's total consumer spending, much higher than the 2.7% it represents now (Ernst & Young, 2006).

Opportunities and Challenges

Retail sector employs around 8% of total workers just behind agriculture (A. T. Kearney, GRDI, 2012). Aspiring foreign retailers, however, have to retrain the



workforce as per international standards and practices that would be following their entry in the country. There is a dearth of a pan-India network of suppliers due to lack of adequate infrastructure with respect to roads, electricity, cold chains and ports. Lengthy inter-mediation chains would add to the costs by 15%. Various strategic initiatives adopted by retailers in this regard include workforce optimization, inventory planning and overhauling of technological infrastructure (Issues Monitor, July 2011). A World Bank study points toward how the weak storage chain causes damage to India's exports irreversibly (Mattoo, Mishra and Narain, 2007). Getting hold of real estate at the right prices and at the right place remains a real challenge in the path of growth of the retail sector. At the same time, there exist the twin problems of lack of clear ownership titles and high stamp duty. Shrinkage in India happens to be the maximum in the world, almost about 2.9% of the total sales (Issues Monitor, December 2012). As a result, coping with shrinkage and shoplifting are major areas of concern for foreign players looking forward to entering India.

Sourcing of fund is severely restricted in India as the retail sector is yet to be accorded the 'industry' status, which makes it hard for retailers to get finance from banks to invest in order to expand. Existing policies disallow Indian companies from raising foreign debts due to the external commercial borrowing regulations. This indeed is a serious challenge as, with the imminent threat of FDI pouring into India, it would certainly be very important for a player to be prepared for all eventualities to meet the competition. Access to finance would mean a lot and may prove to be the decider in the fight for survival in the fiercely competitive retail sector. With their deep pockets, it may not prove to be very difficult for the global retail giants. But it is another matter for the Indian players. However, it is also heartening to note that many Indian players, although relatively new to this business, are giants in their own right and are counted among the global behemoths e.g. Tata group, Aditya Birla Group, Reliance group etc. Finance should not be a major concern for them as they can always resort to raising money from the capital market.



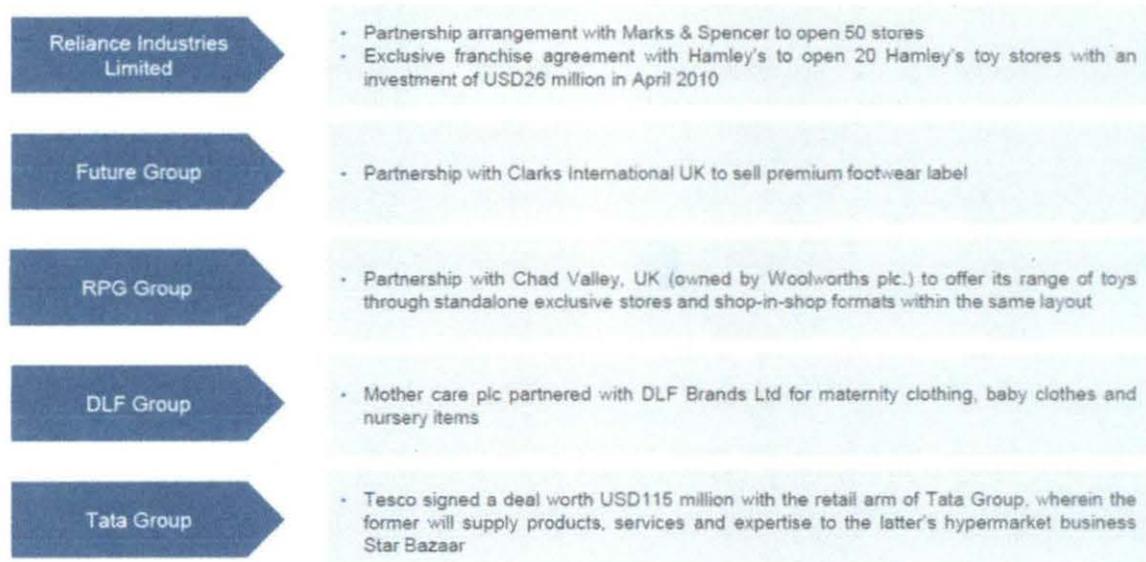
1.2.5 FDI in Retail in India

Many foreign players are yet to enter India due to continued restrictions on full-fledged FDI resulting in limited exposure to best practices. Further, although the government is trying to implement uniform goods and service tax (GST) throughout India, delay in this regard is leading to increased costs and complications in setting up an efficient distribution network. There is a very high likelihood of regulatory overlap in retail sector as it is omnipresent across various industries and business models. Newer formats or business models like e-commerce or m-commerce, for example, have prompted the enactment of new regulations in addition to the existing ones which include general corporate tax, commercial laws, laws related to intellectual property, trade and employment laws that are applicable to the retail industry as relevant for any other industry. Suggestions for establishing a National Retail Authority are yet to gain much force. However, with regard to unorganized retail and more specifically, the urban street vendors, the Ministry of Housing and Urban Poverty Alleviation has come out with a National Policy. Conversely, the organized retail sector is marked by the lack of

a single regulatory authority with any umbrella legislation to govern the sector. The Parliament can enact laws to govern inter-state trade and commerce. But trade and commerce within a state is a state subject. Therefore a regulatory framework overseeing the retail sector requires the endorsement of the individual states. Nevertheless, if the government listens to the stakeholders asking for 'industry' status for retail, this situation is expected to go through significant changes. This is anticipated to involve creating a ministry responsible and accountable for the development of the sector, a single-window clearance system to simplify license processes connected with setting up retail stores and tax and investment incentives, along with other relevant things (Murali, 2010).

Figure-1.10

STRONG GROWTH POTENTIAL ATTRACTING HIGH FOREIGN INVESTMENT



Source: KPMG International 2011, Aranca Research

Source: IBEF, August: 2013

In matters of regulation, the general trend has been to refer the regulation of retail trading to state authorities, as has been done in the U.K. and Australia. Conversely, nations like Spain, Denmark and Bhutan have enacted national legislations to regulate retail trading. However, one may sketch an outline of retail regulation existing in most

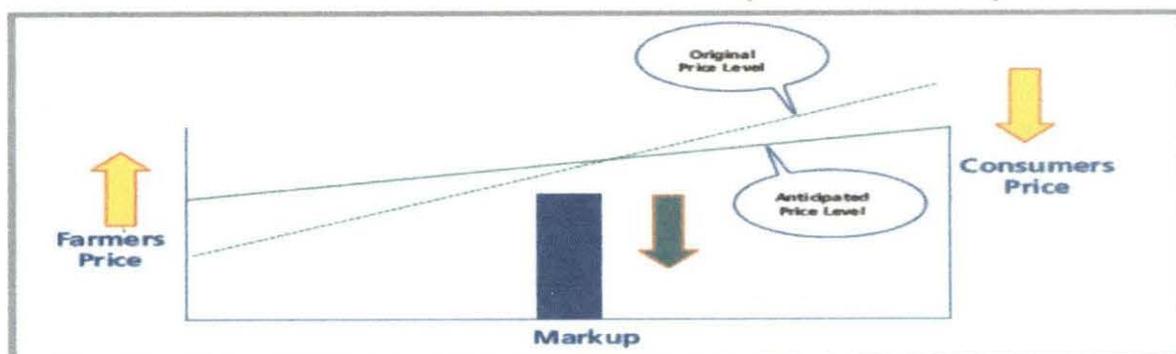
countries including India where retail outlets are governed by other generic legislations involving taxes, pricing, weights and measures, shopping hours, marketing and advertising practices, licensing, employment and so on. Keeping in mind the complexity of retail structures and the diversity of its segments, this approach makes the most sense. Also, one might note that legislations that cater to the needs of one country cannot be replicated in another. For instance, laws that deal with religious rites of a particular country might be totally irrelevant in the context of other countries.

Table 1.5
Benefits of FDI as seen in some other countries

| Country | FDI limits | Benefits | Remarks |
|--|------------|---|--|
| China | 100% | <ul style="list-style-type: none"> • First permitted in 1992 with foreign ownership restricted to 49%, progressively lifted with no restrictions now. • Over 600 supermarkets opened between 1996 and 2001 • The number of small outlets (equivalent to 'kiranas') increased from 1.9 million to over 2.5 million • Employment in the retail and wholesale sectors increased from 28 million people to 54 million people from 1992 to 2001. | Impressive growth in retail and wholesale trade. |
| Thailand | 100% | <ul style="list-style-type: none"> • Referred to as a country where FDI had an adverse effect on the local retailers. • Has limited capital requirement for retail and wholesale outlets. | Growth in agro processing industry |
| Russia | 100% | <ul style="list-style-type: none"> • Supermarket revolution took place in 2000. • Heavy growth registered. | |
| Indonesia | 100% | <ul style="list-style-type: none"> • Modern retail took off in 1990s. • No limit on number of outlets • Matahari is leading chain. | |
| Brazil, Argentina, Singapore & Chile allow 100% FDI in retail sector while Malaysia permits FDI to a certain limit. | | | |

Source: Food & Agribusiness Strategic Advisory and Research (FASAR) Team - YES BANK, 2012

Figure 1.11
Retail Liberalization Benefits Farmers



Source: Trade sources, YES BANK Analysis

Source: Food & Agribusiness Strategic Advisory and Research (FASAR) Team - YES BANK, 2012

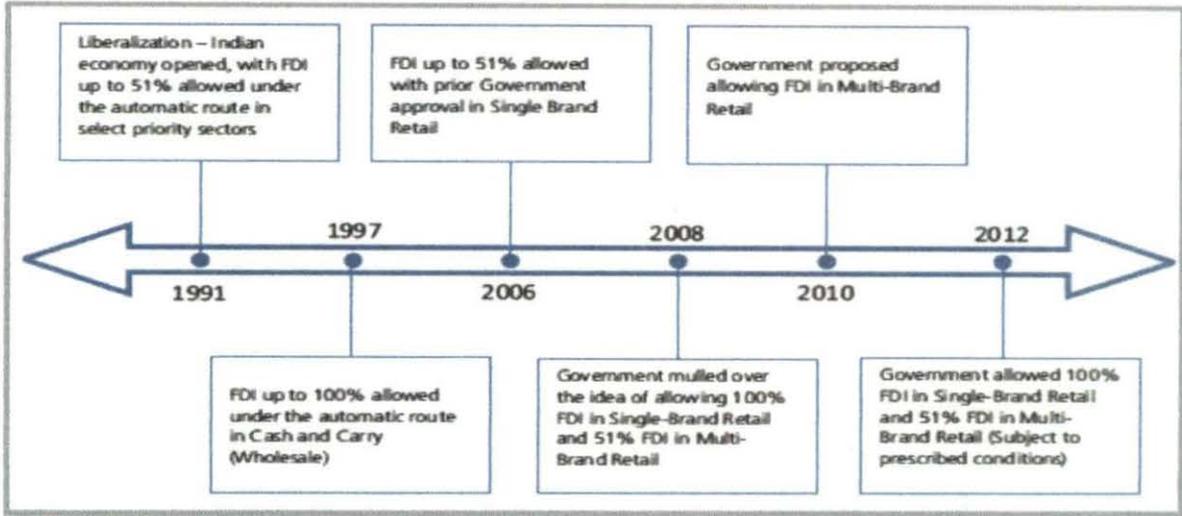
There is scope for some 'private regulations' also in retail trading where a dominant retailer might require supplier companies or even service providers to fulfill certain obligations with regard to quality, carbon footprint etc. before accepting to offer their products for sale through their stores. The regulatory implications of such market force induced private norms are still an intriguing legal issue. In India, Foreign Exchange Management Act, 1999, commonly known as FEMA is used to regulate FDI in India. Policy statements on FDI are announced by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India through Press Notes or Press Releases which are notified by the Reserve Bank of India (RBI) as amendments to Foreign Exchange Management (Transfer or Issue of Security by Persons Resident outside India) Regulations, 2000. Consolidated FDI policy (Consolidated FDI policy, 2012), in paragraph 3.6.1, stipulates two entry routes for investment: the automatic route and the government approval route under which prior approval of the Government of India through Foreign Investment Promotion Board (FIPB) is needed. The scope for investment by non-residents in the capital of a resident unit is determined by the percentage of the total capital (sectoral caps) as provided in the FDI Policy. Consequently, DIPP through Press Note No.s 4 and 5 (2012 Series) added/modified paragraphs 6.2.16.4 and 6.2.16.5 of the FDI Policy permitting FDI in single brand product retail trading (100%) and multi-brand retail trading (51%) in that order as approved by FIPB subject to fulfillment of certain conditions. Further, provision for FDI in cash and carry wholesale trading up to 100% under automatic route is given in paragraph 6.2 of the FDI Policy if certain conditions are adhered to. Paragraph 6.2.16.2.1 of FDI Policy specifies that companies who engage in the activity of buying and selling through the e-commerce platform can do so only in business to business (B2B) e-commerce forbidding retail trading which however raises no objection to provision of services by e-commerce companies to retail consumers. FDI Policy also provides information about the types of instruments through which a foreign entity can invest in India. FDI would include issue of shares; fully, compulsorily and mandatorily convertible debentures and preference shares. Floating of depository receipts and foreign currency convertible bonds for receipt of inward remittance is also considered as

FDI. FDI sectoral policy, in addition, has provision for non-resident investors to invest in domestic companies by buying/acquiring shares from Indian shareholders or from other non-resident shareholders. But such investments would need RBI approval if they do not conform to the requirements of the automatic route.

Firms may issue shares after paying lump sum technical knowhow fee or royalty, conforming to guidelines related to entry route, sectoral cap and pricing and compliance with relevant tax laws. Non-resident investors have the liberty to choose from among companies, partnership firms/proprietary concerns/limited liability partnership and Venture Capital Funds (VCFs) subject to fulfilling the conditions of FDI Policy. As per the World Trade Organization's General Agreement on Trade in Services (GATS), which India entered into in January 1995, following the Uruguay Round negotiations, every World Trade Organization (WTO) member is obligated to maintain a schedule of specific commitments. This document categorizes the service sectors, sub-sectors or activities which are subject to market access and national treatment obligations and any restrictions connected to them (Frequently Asked Questions, GATS, 1995).

GATS includes distribution services in the arena of commission agents, wholesale trade services, retailing services and franchising and, as indicated by its Revised Offer at WTO on August 24, 2005, India has pledged to fulfill wide-ranging commitments in several of the new sectors/sub-sectors such as distribution services in the areas as mentioned above (India's Revised Offer at WTO, 2005). As a precursor, India is progressively liberalizing the retail trade sector to foreign investment. Since long, the retail sector in India was deemed to be a sensitive sector mainly due to its employment generating potential and being in its premature stage especially with regard to the domestic organized retail segment's perceived inability to compete with large players. Consequently, the government policy has mostly been tilted towards shielding agriculturists and small retailers putting entry barriers for larger retailers in the market and banning FDI in the retail sector. Since 1997, the government has liberalized its FDI policy in retail, step by step, as depicted below:

Figure 1.12
Liberalization of Indian Retail



Source: YES BANK Analysis

Source: Food & Agribusiness Strategic Advisory and Research (FASAR) Team - YES BANK, 2012

Table -1.6
India's FDI Policy Changes over the years

| Year | Policy Change |
|------|---|
| 1997 | Government allows FDI in cash and carry (whole-sale) with 100 per cent ownership under the government approval route |
| 2006 | a. FDI in cash and carry (whole-sale) with 100 per cent put under the automatic route b. Single brand foreign retailers allowed to bring in FDI up to 51 per cent under government approval route |
| 2010 | Government introduces Discussion Paper on FDI in multi-brand retail trading |
| 2012 | a. Government allows FDI up to 100 per cent in single brand product trading under the government approval route subject to certain conditions b. Government allows FDI up to 51 per cent in multi-brand retail trading under the government approval route subject to certain conditions |
| 2013 | Government approves FDI up to 49% in single brand product retail trading under automatic route |

Source: DIPP, Ministry of Commerce and Industries

Wholesale Cash & Carry

In determining whether a transaction is wholesale or retail, the FDI Policy takes cognizance of only the type of customers and not the magnitude of sales. Wholesale trading does not include sale of goods for personal consumption. The 2009 guidelines on FDI required relevant permits and licenses to be obtained. Besides the government, wholesale transactions can be done with entities that are (i) possessors of sales tax/VAT registration/service tax/excise duty registration; (ii) possessors of trade licenses under Shops and Establishment Act; (iii) possessors of permits/licenses for carrying on retail trade; or (iv) institutions such as a society or a public trust for their self-consumption. Details of these transactions such as the name and kind of the entity, registration/license/permit etc. and number, amount of sale etc. should be maintained and recorded on daily basis. The guidelines explicitly forbid a wholesale trader from opening retail outlets catering to the customer directly. Current FDI Policy permits wholesale deals within companies belonging to the same group (Definition of group, Competition Act, 2002) which however taken together cannot go beyond 25% of the of the wholesale venture's total turnover (DIPP Press Note No. 2 of 2013 dated 3 June, 2013).

Single Brand Product Retail Trading (SBPRT)

Currently, FDI up to 100% is approved in SBPRT subject to fulfillment of some obligatory criteria. The proposal to allow FDI up to 49% in SBPRT under automatic route was approved in the meeting of the Ministry of Commerce & Industry held on July 16, 2013, which was notified by way of Press Note No. 6 of 2013 (Ministry of Commerce and Industries, GOI, Press Note No. 6, 2013 Series). Although no government approval shall be required for FDI up to 49% in SBPRT, any investment beyond 49% would require prior government approval. The objectives for allowing foreign investment in SBPRT include attracting investments in product and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices. However, conditions under

which FDI in SBPRT is allowed make it mandatory to sell products of a 'Single Brand' only not only in India but also in other countries where the retailer has a presence and 'Single Brand' product-retailing would cover only products which are branded during manufacturing. FDI Policy announced by the DIPP on September 30, 2011, allowed only the owner of the brand to invest in SBPRT. This condition was acting against the global IP holding structures. With the introduction of recent changes, the requirement has been suitably amended by allowing one or more non-resident entities to undertake SBPRT of a specific brand provided they are owner of the brand or they have some agreement with the brand owner for the specific brand. This will be helpful for structures where, for example, more than one foreign entity has been provided with a license for a territory or where the owner and a licensee both invest. Further, as certain foreign investors had expressed their concern with respect to local sourcing requirements (30%), it has been modified vide Press Note No. 4 (2012 Series) and now it shall be computed for a cumulative period from the date of approval instead of being required to abide by from day one or almost immediately thereafter. It is also to be noted here that retail trading, in any form, by means of e-commerce, would not be allowed. Since opening up of the SBPRT market in January 2012, several investors have applied for approval (IBEF Retail: August, 2013). IKEA, the iconic Swedish furniture retailer which intends to invest ₹ 10,500 crore in India, has made a recent entry. Other proposals that have been cleared by the FIPB in the recent past include sporting goods company Decathlon, French fashion brand Promod, crockery maker Le Creuset, footwear company Pavers England and luxury clothing retailer Brooks Brothers.

Multi-Brand Product Retail Trading (MBRT)

The FDI Policy was amended vide DIPP Press Note No. 5 (2012 Series) dated September 20, 2012, permitting 51% FDI in MBRT under the government route. The proposal to allow FDI in MBRT initiated in July 2010, when DIPP first brought up its discussion paper ("Discussion paper on FDI in retail") on allowing FDI in MBRT, which subsequently got Cabinet Approval in November 2011. Still, fearing undesirable repercussions from various quarters, the proposal was kept on hold. However, since

there was stupendous international as well as domestic pressure on the government to liberalize the multi-brand retail sector for FDI, the government woke up from its state of policy inaction in this regard and allowed 51% FDI in MBRT vide DIPP Press Note No. 5 (2012 Series) under the government approval route subject to the aforementioned stipulations:

i) Retail sales outlets may be set up in those states which have agreed or agree in future to allow FDI in MBRT

Trade and commerce is a state subject as per List II of the Seventh Schedule of the Constitution of India. Till date, only State Governments of Assam, Andhra Pradesh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Manipur, Rajasthan, Uttarakhand and the Union Territories of Daman & Diu and Dadra & Nagar Haveli have decided to allow MBRT. To simplify the process and encourage FDI in MBRT, it has recently been clarified by the government that in the event the foreign investor approaches a State Government not included in the list of states supporting FDI in MBRT, consent from the State Government would be sufficient and a suitable amendment to the policy will be issued by the Central Government. Accordingly, it would be the State Government's decision to choose whether and where a foreign multi-brand retailer is permitted to establish its sales outlets within the state. The retail sales outlets so established need to comply with applicable state laws and regulations, like the Shops and Establishments Act, local zoning regulations, warehousing requirements, access, traffic, parking and other logistics as prescribed by State Governments periodically.

ii) Retail sales locations may be set up only in certain cities

As per the approved FDI policy, foreign multi-brand retailers can establish retail sales outlets only in those cities having a population of more than 10 lakhs as per the 2011 census or any other city as decided by the respective State Governments restricted to

an area of 10 kilometers around the municipal limits of such cities. The erstwhile FDI Policy mandated that retail outlets could only be set up in cities with a minimum population of 10 lakhs, which was amended recently through Press Note No. 5, 2013 Series (Ministry of Commerce and Industry, GOI, Press Note No. 5, 2013 Series).

iii) Minimum amount to be brought in as FDI by the foreign investor would be USD 100 million

In order to draw serious investors and let the government examine the benefit such investment will have on the Indian economy, it is being stipulated that the foreign MBRT investor has to bring in a minimum investment of USD 100 million. The requirement for minimum capitalization appears logical considering the capital intensive nature of the sector.

iv) 50% of the total FDI brought in to be invested in 'back-end infrastructure' within three years

The foreign investor is required to invest at least 50% of the USD 100 million in back-end infrastructure (Ministry of Commerce and Industry, GOI, Press Note No. 5, 2013 Series) within three years of its entry. Investment in back-end infrastructure will include capital expenditure on all activities such as investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market, produce, infrastructure etc. Expenditure incurred on front-end units, land cost and rentals will not be reckoned for the purposes of back-end investment.

The Indian retail sector is lacking adequate infrastructure and immersed in increased cost and wastage due to disrupted supply chains and middlemen. To address this problem, the requirement for investment in back-end infrastructure within a three year time frame has been introduced.

v) 30% mandatory local sourcing requirement

Similar to the requirement of mandatory local sourcing as applicable in SBPRT (prior to Press Note No. 4 of 2012), at least 30% of the value of procurement of manufactured/processed products purchased shall be sourced locally which shall be limited to 'small industries' which have a total investment in plant and machinery not exceeding USD 1 million. This requirement has now been amended vide Press Note No. 5 (Ministry of Commerce and Industry, GOI, Press Note No. 5, 2013 Series) and investors are permitted to source such products from micro, small and medium industries which have a total investment in plant and machinery not exceeding USD 2 million. The amendment further clarifies that such 'small industry' status is only considered at the time of first engagement and that such industry will continue to qualify as a 'small industry' for this purpose even if it outgrows the said investment of USD 2 million. Compliance with this condition will have to be self-certified by the company and then cross-checked as and when required. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/processed products purchased beginning April 1 of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.

In case of MBRT, the 30% sourcing requirement is to be calculated on the purchase of manufactured and processed products and sourcing from agricultural co-operatives and farmer co-operatives would also be considered. The mandatory local sourcing requirement in case of MBRT is aimed to provide a boost to small industries. It may be easier for multi-brand retailers to meet this condition since they have a large spectrum of goods to offer.

vi) Retail trading, in any form, by means of e-commerce would not be permissible, for companies with FDI, engaged in the activity of MBRT

A company which is the recipient of FDI has to ensure compliance of the conditions relating to minimum USD 100 million investment, investment in back-end infrastructure and mandatory local procurement requirement which could be verified as and when required. Further, the investors shall maintain accounts duly certified by statutory auditors. Applications for MBRT would have to be made to DIPP. DIPP will determine whether the proposed investment satisfies the notified guidelines and after being satisfied, will forward the application to be considered by the FIPB for approval. Further, DIPP came out with certain clarifications on queries raised by prospective investors with respect to MBRT under the FDI Policy.

1.2.6 Challenges Ahead

While the policy framework in relation to FDI in MBRT is now put in place, the implementation of this policy framework is bound to have certain challenges. Some of which include:

Implementation at State Level

It is the first time that FDI policy is introduced as an enabling policy and implementation is left to the discretion of the State Governments/Union Territories and draws support from the fact that 'trade and commerce within the state' is a state subject under the Constitution of India. Such a policy may give unrestricted powers to the State Government/Union Territories to impose conditions in addition to those prescribed by the DIPP. State level regulations could also lead to an inconsistent policy framework which needs to be carefully understood and followed by potential investors. There is also the risk of a State Government changing its policy on MBRT and reversing earlier decisions, especially in the event of a change of government, as this scenario has not been construed by the DIPP in the relevant Press Note. The most glaring example is the policy reversal in this regard by the Aam Aadmi Party (AAP) Government soon after they came to power in Delhi following a surprise win in the Bidhan Sabha elections held

in December, 2013. Furthermore, since there has been a change of guard at the centre after the last national elections, the uncertainty in this regard heightens.

In effect, a foreign investor will have to be mindful of the local rules and regulations of each state before finalizing the business model, especially when the investor intends to set up outlets in all the states. Further, for the existing entities operating across India, it would be difficult to get FDI into an entity without a restructuring of its operations.

India's Commitments under International Investment Agreements

India is a signatory to various international trade agreements like the General Agreement on Trade in Services (GATS), Trade Related Investment Measures (TRIMS), bilateral investment protection agreements (Bilateral Investment Promotion and Protection Agreements, Ministry of Finance, GOI) and comprehensive economic cooperation agreements in the field of trade and economic affairs signed to promote investment inflow. While the Central Government in its press release (Press Release of Ministry of Commerce and Industry, September 18, 2012) has categorically concluded that the policy framework does not violate any commitments or obligations arising out of India's international agreements, the introduction of FDI in SBPRT and MBRT with conditions such as domestic sourcing and state wise implementation has raised a few questions with respect to India's commitments under these treaties and agreements.

Options Available With Investors If the Government Retroactively Changes Its Policy In The Future

While the government has the right to enact, modify or repeal a law/policy at its own discretion in its sovereign capacity, a foreign investor expects the host country to act in a consistent manner so that it may know beforehand any and all rules and regulations that will govern its investments and to be able to plan its investment and comply with such regulations accordingly. The foreign investor also expects the host country to act consistently without arbitrarily revoking any preexisting decisions or permits issued by the country that were relied upon by the investor to assume its commitments as well as

plan and launch its commercial and business activities.

Stability and predictability of legal and business framework is an essential element to ensure fair and equitable treatment towards the foreign investor. Evisceration of regulations in the future with regards to foreign investment in multi-brand retail by government, in reliance upon which the foreign investor invests into India could be regarded as a breach of international obligations taken up by India under bilateral investment protection agreements and may also attract scrutiny as to the constitutional validity of such actions.

Regulatory Overlap and Dealing with Multiple Authorities

The retail sector cuts across various industries and business models. As a consequence, there is higher scope for regulatory overlap. While general corporate tax, commercial laws and laws related to intellectual property, trade and employment laws are uniform across industries, state level laws and regulations like the Agricultural Produce Market Committee Act, local zoning regulations differ from each other and foreign investors will have to deal with multiple regulations and authorities.

1.2.7 E-Commerce

Currently 100% FDI is allowed under automatic route (no approval required) in companies engaged in business to business (B2B) e-commerce and erstwhile restrictions on FDI in domestic trading were also applicable to e-commerce as well. The DIPP Press Notes No.s 4 and 5 (2012 Series) categorically state that retail trading in any form by means of e-commerce would not be permissible for companies with FDI engaged in SBPRT or MBRT. With the opening of FDI in SBPRT and MBRT, the restriction of FDI in domestic trading through e-commerce was also expected to be relaxed. However, such an express restriction will certainly impact global and local e-commerce retailers intending to offer Indian consumers wide range of products via e-commerce. One of the reasons for such an express restriction being imposed could be the difficulty in monitoring the trading via e-commerce in the states who have not

allowed MBRT. Also, a similar restriction in SBPRT has now been categorically put in place to bring it in parity with policy on MBRT. Interestingly, e-commerce has not been defined and one will need to ascertain whether it will be construed broadly or narrowly. For instance, would any form of interaction (such as information sharing or advance booking) with a brick and mortar store via its website be considered e-commerce? Further, whether any trading (i.e. buying or selling of products) through any mobile phone application or through telebooking mode would be considered as e-commerce?

1.2.8 Corporate Laws Governing FDI in Retail

Investment Vehicles:

Unincorporated entities such as liaison office, branch office, project office, limited liability partnership, partnership etc. can act as investment vehicles. Alternatively, investments can be made through incorporated entities such as a public limited or private limited company. FDI instruments would include equity shares, compulsorily convertible preference shares and compulsorily convertible debentures and earnings out of India can be repatriated as dividends.

Tax Laws:

Both the Union Government and the State Governments can levy taxes in India. However, it has to be endorsed by an accompanying law passed either by the Parliament or the State Legislature.

Direct Taxes

Till the 2010-2011 financial year, Section 44AF of Income Tax Act (Finance Act, 1977) was applicable for calculation of Income tax for a person engaged in retail trade in any goods or merchandise. From then on, the income from profits and gains from retail trade is being calculated in the same way the calculation is undertaken for any other trade. 30% tax excluding surcharge and cess [Income-Tax Act, 1961(43 of 1961)] as amended by [Finance Act, 2008] is applicable for domestic companies in India. On the

other hand, foreign companies are taxed at 40% excluding surcharge and cess [Income-Tax Act, 1961(43 of 1961)] as amended by [Finance Act, 2008] with a disallowance of expenses. A new Direct Taxes Code has been proposed, released as a discussion draft some years ago, which is waiting to be considered by the Indian Parliament. Significant change to the Indian tax regime by introduction of controlled foreign corporation rules, revised residency criteria is anticipated through the enactment of this new legislation. The Finance Bill 2012 was slated to introduce comprehensive General Anti Avoidance Rule (GAAR) provisions in the Income Tax Act which aims to vest wide powers to the revenue authorities in taxing including the power to disregard entities in a structure and reallocate income and expenditure between parties, treat debt as equity and vice versa, and the like.

Indirect Taxes

The Finance Act, 2012 lays down that the Service Tax Law will hereafter follow the ‘Negative List approach’ which requires that all services, except those specified in the negative list and those explicitly exempted, would be chargeable to service tax. It is to be noted here that ‘trading of goods’ is specifically included in the Negative List of Services. On the other hand, services rendered by commission agent or a clearing and forwarding agent shall be subject to service tax. Companies operating in the retail sector may be subject to the following indirect taxes:

Table- 1.7
Indirect Taxes

| Types of Tax | Description |
|----------------------------------|---|
| Customs duty | Duty on import of goods into India. Custom duties are levied by the Central Government under the Customs Act, 1962 and the Customs Tariff Act, 1975 |
| Central Value Added Tax (CENVAT) | Tax imposed on manufacture or production of goods in India is imposed. This is also referred to as excise duty ('Manufacture' includes activities such as repackaging and labeling) |
| Central Sales Tax | Tax on inter-state sales or purchases of goods is imposed by the originating state |
| States Value Added Tax | Tax on intra-state sales of or purchases of goods imposed by the states |
| Entry Tax | Tax imposed on entry of goods into the state is imposed by the states |

Source: Ministry of Finance, GOI

GST, which is a central legislation, is purported to abolish indirect state taxes with an aim to create a single and unified indirect tax system. The implementation of GST is expected to usher in a liberalized tax regime and reduce complexities of doing business in India.

1.2.9 Transfer Pricing Framework

Transfer pricing refers to commercial transactions between related entities of multinational corporations which may differ from those that take place between unrelated parties. Transfer Pricing Regulations (Regulations) are enclosed in sections 92 to 92F of the Income Tax Act. Domestic transactions between two related persons or two units of the same entity exceeding ₹ 5 crore would come under the transfer pricing regulations (including procedural and penal provisions).

The regulations stipulate a mechanism for transfer pricing based on estimation of income from cross-border transactions considering the Arm's Length Price (ALP) as codified in the regulations in the Organization for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for multinational enterprises and tax administrations. The ALP refers to a price at which transactions in unrestrained situations are carried out between persons other than associated enterprises. It needs to be noted here that the Finance Act, 2012, has brought in a system relating to Advanced Pricing Agreements (APA). An APA, valid for maximum five year duration, would be obligatory on the part of taxpayer only and the concerned commissioner and his subordinates. But the APA shall lose its validity if there is a change in law or a fact post the execution of the APA, from the date of such change. Moreover, the Central Board of Direct Taxes can declare any APA as invalid if it is obtained by deceit or twisting of facts.

1.2.10 Competition Laws

Competition Commission of India (CCI) can scrutinize any agreement even if it is entered into outside India. Retailers will have to be careful about the competition law connotations while entering into agreements. Competition law and policy would cover transactions like retail by e-commerce on a virtual platform as well. Abuse of dominance is determined by Section 4, Competition Act, 2002, which would include criteria such as predatory pricing, size of the enterprise, entry barriers, economic power etc. Any sales using foreign currency or international credit cards must be counted against international trade law and duty credit entitlements must be credited for retailers. The Agreement on Trade Related Investment Measures (TRIMS) applies to measures that affect trade in goods (Art. 5.1 of the TRIMS Agreement, 1995). The agreement prescribes that no member shall affect a measure that goes contrary to the provisions of General Agreement on Tariffs and Trade (GATT) Article III [(National treatment) (Annex IA to the Marrakech Agreement, 1994)] or Article XI [(Quantitative Restrictions) (Annex IA to the Marrakech Agreement, 1994)]. Countries can take action against dumping under GATT (Article 6). In India, anti-dumping duty investigations are undertaken vide Sections 9A of the Customs Tariff Act, 1975, read with Section 9B *ibid* and the rules made thereunder. Also, care needs to be exercised with respect to the goods that are exported out of India (Bhala and Kennedy, 1999). Under the 9th edition of International Classification of Goods (Nice Classification), retail services are afforded separate trademark protection under Category 35. In addition to dealing with issues of trademarks, copyrights, designs, patents, labeling, packaging, on-pack promotions, retail price promotions and ancillary intellectual property rights including the negotiation of licences, efficient from a tax and regulatory perspective, proper attention should be given to intellectual property securitization that makes it possible for companies to account for intangible assets such as intellectual property, royalty and brands and realize their full value. In the last few years, many large restaurant franchisors have securitized their brands to raise funds including Dunkin' Donuts and Domino's Pizza (Nisar, 2011).

1.2.11 Laws Governing Employment in the Retail Sector

The retail sector in India happens to be the second largest employer after agriculture providing work for approximately 8% of India's population (A. T. Kearney, GRDI, 2012) with demand for skilled workers expected to go up. Training and retaining work force, thus, is one of the biggest challenges that this sector faces. In addition, strict Indian labor laws dictate the number of hours worked and minimum wages to be paid which limits the operational efficiency of retailers. Extra care also needs to be taken with regard to the women workforce as The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressed) Act, 2013, has been made effective on April 23, 2013, by way of notification in the official gazette of India.

The Telecom Regulatory Authority of India (TRAI) had framed the Telecom Commercial Communications Customer Preference Regulations, 2010, which aimed at providing an effective mechanism for reducing restraining unsolicited commercial communications or UCCs. The National Consumer Preference Registry has been established for this purpose, which is a database of telephone numbers of subscribers who do not want to receive UCCs.

The Payment and Settlement Systems Act, 2007, as well as the Payment and Settlement System Regulations, 2008, framed thereunder came into effect from August 12, 2008. E-commerce companies that promote online payments for goods and services need to comply with the provisions of this Act. The retail sector is governed by multiple laws and regulations in force at the central, state and local levels such as the Consumer Protection Act, Essential Commodities Act, the Cold Storage Order, the Weights & Measures Act, the Shops and Establishments Acts, code of advertising and local labor laws.

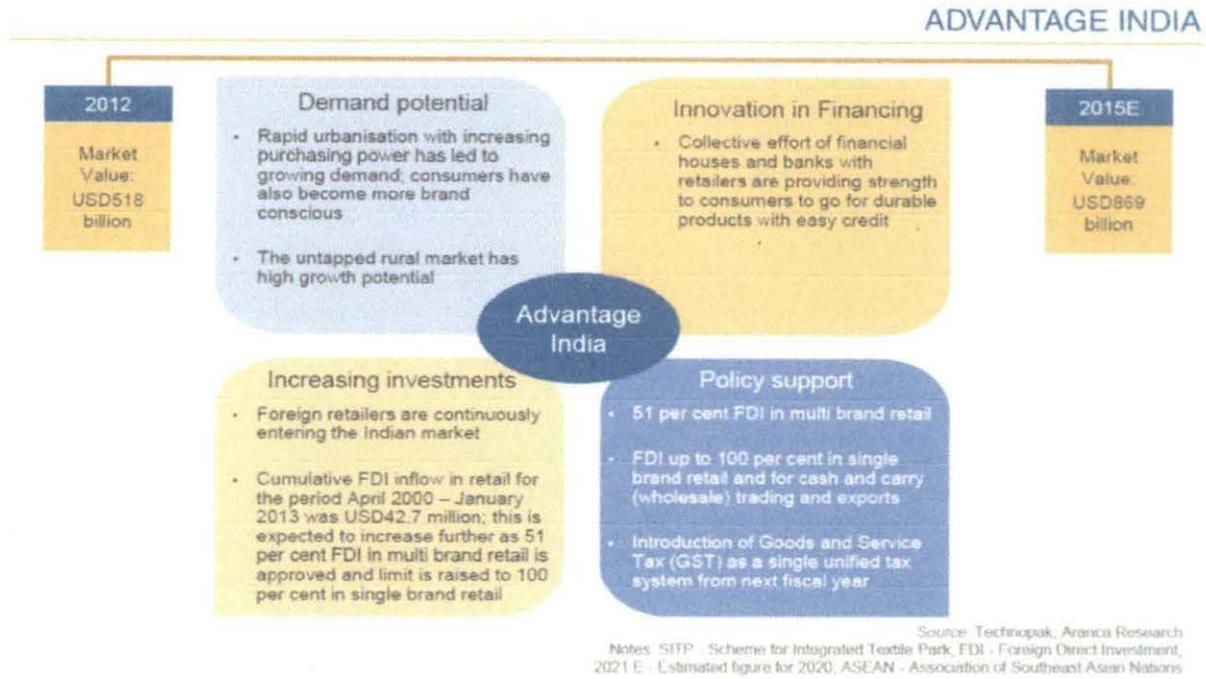
1.2.12 Entry Modes for Foreign Players in India

Franchising is the most popular and convenient route for international retailers to enter India. A multinational company may appoint a master franchisee who is free to sub-franchise the rights to the local franchisee in that particular jurisdiction. In a separate arrangement, the franchisor directly enters into franchise agreement with the local area franchisee. These agreements are governed by provisions of Press Note No. 8, 2009 Series, Ministry of Commerce and Industries, Government of India (GOI). Further, RBI Notification, 2010, states that withdrawal of foreign exchange by persons for payment of royalty and lump-sum payment under technical collaboration agreements can be made without the approval of the Ministry of Commerce and Industry, Government of India. An international retailer license may offer distribution rights to Indian companies using the strategic licensing arrangement. Indian companies are thus endowed with the rights to sell the merchandize through their own stores, enter into shop-in-shop arrangements or distribute the brands to franchisees. Foreign retailers engaged in manufacturing of products through wholly-owned subsidiaries are permitted to do retail trading. These manufacturing companies may also sell their products in India under franchising and distribution arrangements or through their own outlets.

FDI Policy states that a company owned and controlled by an Indian resident directly or through Indian companies, will be categorized as an Indian company (Ministry of Commerce and Industries, GOI, Press Note No. 4, 2013 Series). Accordingly, any such company making downstream investments having a foreign investment component of less than 50% would not be considered as having any indirect foreign investment. Investment can be made into an Indian retail company by issuing non-convertible debentures (NCDs) intended for wholesale debt market stock exchange segment listing as per the SEBI (Issue of Debt Instruments) Regulations, 2009. 100% FDI is permissible under the automatic route in Wholesale Trading Company (WTC) also involved in back-end activities. WTCs can engage in transactions with a front-end retail trading company.

1.3 Conclusion

Figure 1.13



Source: IBEF, August: 2013

The Indian retail sector is still predominantly unorganized in nature. Thus it provides great opportunity for both domestic and foreign retailers. Indian economy needs huge investments in the retail and allied sectors such as cold chains, warehousing and logistics to reduce wastage and boost overall efficiency. Keeping this in mind, the liberalized FDI norms for SBPRT and MBRT seem to have come at the right moment, if not already late. The largest beneficiaries of this easing of norms would be the agricultural and food sector of this country providing direct and indirect employment to millions of Indians across the country. A forceful combination of factors like demand, supply and regulatory factors is bringing about rapid growth in the Indian retail sector with a gradual shift toward organized retail formats. Tier-II and Tier-III cities are coming up as the new 'hot spots' of consumption. Eying profitable growth, organized retailers are increasingly setting up stores in these smaller cities. E-commerce is also emerging as the next major area for retail growth in India.

Organized retail is a relatively recent phenomenon in India and, notwithstanding the slump in the economy, is growing rapidly as the number of people forming the consuming classes continues to swell and organized retail entices more and more shoppers. Over 300 million shoppers are expected to patronize organized retail chains by 2015. The middle class is growing at an astounding rate contributing to the growth of retail in India. It is estimated that 91 million households will be in the 'middle class' bracket by 2030. A whopping 570 million people are also expected to live in cities by then. Emerging market economies like India are witnessing rapid growth in consumer markets due to strong economic growth and the consumption level of India is expected to grow two-fold within five years to US\$ 1.5 trillion from the current level of US\$ 750 billion (Retail Sector Profile, FICCI, 2011). As a result, with enormous potential and vast population, India is poised for high growth in consumer expenditure. India's large 'young' population and high domestic consumption also make the macro trends for the sector look favorable.

However, retailers irrespective of being in the organized or unorganized sector, should not at any point of time disregard the fact that customer happens to be the king. Experts in the field opine that retail is all about customer experience and taking it to the next level. Price is no more the only differentiator today as customer experience has become equally important. Retailers are pulling all stops to lure customers, but the moot question of how to increase customer loyalty is still to be satisfactorily answered. Be it the *kirana* stores or the hypermarkets, customer loyalty is observed to be shifting across all formats. Stores are undergoing a makeover to stay relevant and expedient, and are not essentially using one-size-fits-all strategies. Oft repeated strategies like expanding the product offering and promotional offers intended to draw higher footfalls are no longer effective. Innovation is the order of the day with resultant positive effects. For today's generation working on laptops and mobile phones, quick turnaround time is extremely important. Consequently, presence across multiple channels has become unavoidable. Growth is no longer taken to be the barometer for success. Profitable growth is what matters for the retailers. Retailers across board are discarding all

inhibitions Getting rid of formats devoid of business sense and shutting unprofitable stores are some of the steps being taken by retailers to ensure profitability which happens to be the key to sustainable growth. International retailers that have entered India are beginning to feel at home. The government is adopting more practical ways of dealing with difficult issues. The Indian customers today are having ample choices to shop for. The boundaries amid towns and cities are fading fast. Infrastructure and connectivity are advancing by the day and customer awareness is at an unprecedented high. In short, it would be apt to say that the Indian customer is giving shape to the new 'Indian Retail Story'.

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Surcharge is applicable @ 5% if the total income is in excess of ₹ 10,000,000 and education cess is applicable @ 3% on income tax (inclusive of surcharge, if any) vide Income-Tax Act, 1961[43 Of 1961] [As Amended By Finance Act, 2008], available at [http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20\(en\).pdf](http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20(en).pdf) accessed on December 8, 2013

Surcharge is applicable @ 2% if the total income is in excess of ₹ 10,000,000 and education cess is applicable @ 3% on income tax (inclusive of surcharge, if any) Income-Tax Act, 1961[43 Of 1961] [As Amended By Finance Act, 2008], available at [http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20\(en\).pdf](http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20(en).pdf) accessed on December 8, 2013

Under the Competition Act, 2002, as modified by the notification dated March 4, 2011, "group" is defined to mean two or more enterprises which, directly or indirectly are in a position to:

- a. exercise 50% or more of the voting rights in the other enterprise; or
- b. appoint more than 50% of the members of the board of directors in other enterprise; or
- c. control the management or affairs of the other enterprise

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CHAPTER - II

REVIEW OF LITERATURE

2.1 Introduction

A theoretical framework of store loyalty and supporting empirical substantiation are presented in this chapter. A store's success to a very large extent depends on customer loyalty. Loyal customers are not very price sensitive. Also, these customers are prone to purchase more often, try other products stocked by the store and get new customers for the store (Bhattacharya and Dey, 2014). Subject to the type of retail store, organized and unorganized store loyalty is affected by several factors like trust, value for money, availability, display, satisfaction, ambience, location etc. Studies investigating retail patronage and store choice have followed many lines. Customer loyalty, as per Oliver (1997), is "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". McCarthy (1971) avers that marketing strategies use the marketing variables (price, product, place, promotion and other related marketing mix elements) that a firm develops to satisfy target consumer groups at a profit. Loyal customers provide firms a steady revenue base and declining expenses. In fact, an increase of 25% to 75% in profits can be brought about by improving customer retention just by 5% (Reichheld and Sasser, 1990). Moreover, a company has to incur an outflow of more than five times as much to attain a new customer than to hold on to an existing one (Wills, 2009). Furthermore, companies can boost revenues with loyal customers. For instance, loyal customers are less price sensitive (Reichheld and Teal, 1996). In addition, loyal customers are often found to be frequent purchasers who are also likely to try the firm's other products and bring new customers to the firm (Reichheld and Sasser, 1990). Hence, loyalty is associated with the success and profitability of a firm (Eakuru and Mat, 2008). Thus, customer loyalty provides an underpinning to study the relationship among customer relationship activities, value creation programs and marketing strategies (Reichheld and Teal, 1996).

2.2 Review of Past Research

Literature review is a text written by a researcher to consider the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Its main goals are to situate the current study within the body of literature and to provide relevant context for a particular reader. Literature reviews are a staple for research in nearly every academic field. A systematic review is a literature review focused on a research question, trying to identify, appraise, select and synthesize all high quality research evidence relevant to that question. A literature review discusses published information in a particular subject area and it usually has an organizational pattern that combines both summary and synthesis. It might give a new interpretation of old material or combine new with old interpretations. Or it might trace the intellectual progression of the field, including major debates. And depending on the situation, the literature review may evaluate the sources and advise the reader on the most pertinent or relevant. The focus of a literature review is to summarize and synthesize the arguments and ideas of others without adding new contributions. In short, literature reviews provide you with a handy guide to a particular topic. Literature reviews also provide a solid background for a research paper's investigation. Comprehensive knowledge of the literature of the field is essential to most research papers.

2.2.1 Store Loyalty

Business cannot survive in the long term without establishing a loyal customer following. Special issues of important journals such as International Journal of Research in Marketing (Vol. 14, Issue: 5, 1997) and Journal of the Academy of Marketing Science (Vol. 28, Issue: 1, 2000) have long been devoted to the subject of customer loyalty in addition to several scholarly papers which points towards the rising interest in this field in the last two decades. But loyalty has remained somewhat of an enigma as a clear definition of what a loyal customer actually means is yet to emerge due to a very dynamic environment and not much progress has been made in determining what factors lead to customer loyalty even though it is considered the life of business. Dick

and Basu (1994) define loyalty as “the strength of the relationship between an individual’s relative attitude and repeat patronage.” Loyalty not only means repeat purchases, it also brings about an enhanced resistance to competitive messages, lower selling costs, a decrease in price sensitivity and an increase in favorable word-of-mouth (Dick and Basu, 1994). In order to meet customer demands which may be diverse in nature, business organizations need to go for different types of loyalty building. While carrying out research for the SOK group of Finland, Sopanen (1996) found there are six different kinds of loyalty: Monopoly loyalty (which means there are no other choice available), Inertia loyalty (which means customers do not want to find out the substitutes actively), Convenience loyalty (which means loyalty is solely defined by location), Price loyalty (which means the low price of products influence customers), Incentivized loyalty (which means loyalty relates to the benefits gained from reward cards and programs), and Emotional loyalty (which means some particular factors influence customers such as brand). Oliver (1999) and Lindquist and Sirgy (2004) conceptualized a framework as per which loyalty should be developed in a sequence of “cognition-affect-conation-action” pattern which can be explained with the help of consumer behavior theories. Companies can ensure a consistent revenue stream and reduced expenses by way of acquiring loyal customers. It was found that a 5% improvement in customer retention leads to 25% to 75% increase in profits (Reichheld and Sasser, 1990). What is highly noteworthy is that a firm needs to spend more than five times as much to obtain a new customer than to retain an existing one (Wills, 2009). In addition, companies can boost profit margin with loyal customers. For instance, loyal customers are less price sensitive (Reichheld and Teal, 1996). Furthermore, loyal customers are likely to purchase more frequently, try the firm’s other products and bring new customers to the firm (Reichheld and Sasser, 1990). Thus, it is very apparent from the above that loyalty can be linked to the success and profitability of a firm (Eakuru and Mat, 2008).

Eight measures of customer loyalty can be identified based on the literature review of studies conducted by Zeithaml, Berry and Parasuraman (1996) and Pong and Tang (2001) which have their origin in the BA-C loyalty framework: Repeat Purchase Intention, Repeat Purchase Behavior, Word of Mouth, Period of Usage, Price

Tolerance, Customer Preference, Choice Reduction Behavior and Top of the Mind Recall. There have been substantial amount of research on the association between customer loyalty and prolonged financial viability of a firm (Reichheld, 1993, 2001; Heskett, Jones, Loveman, Sasser and Schlesinger, 1994; Jones and Sasser, 1995). Heskett, Jones, Loveman, Sasser and Schlesinger (1994) indicate that customer satisfaction is the driver of customer loyalty while Jones and Sasser (1995) found that it does not necessarily lead to loyalty, rather brand image and product quality are more important drivers of customer loyalty. Clotey, Collier and Stodnik (2011) found product quality and service quality to be positively associated with customer loyalty. They also found levels of brand image to be positively associated with customer loyalty.

The major challenges facing the retail markets today are the increasing effect of competition, market fragmentation, crowded retail environments, undifferentiated products and pricing, shortened product life cycles and more demanding and knowledgeable consumers (Wakefield and Baker, 1998; Saji, 2002b). In this scenario, the retailers are finding it necessary to continually innovate and come out with products, processes, and technologies that increase store loyalty (Woodruff, 1997; Reimers and Clulow, 2004). Many retailers in order to achieve sustainable higher profits has made convenient buying facilitation the cornerstone of their business as the economic benefits of store loyalty determines the degree of retailing performance effectiveness (Kalwani and Narayandas, 1995; Anderson, Fornell and Roland, 1997). The various stages through which consumers have to move in order to make a purchase decision can all be made convenient so that the entire buying process turns out to be a pleasant experience for the customer (Levy and Weitz, 1998). The convenience and personalized service offered by the unorganized sector hold its future in good stead. Organized retail of late has seen a tremendous boom and is attracting more people to the malls. Interestingly, market pressures from India's burgeoning consumer class and their growing demand have already started to spur agricultural reform and increased investment in India's "farm to retail" field by the private sector. It seems that India's growing consumer market might be taking on a life of its own (Reddy and Salam, 2012). Denison and Knox (1993) found that there exists a small positive association between

store loyalty and total spending for supermarkets albeit in a small measure, and for other types of retail outlets, a negative relationship. It was also established by Mcgoldrick and Andre (1997) that loyal households are likely to spend more. This evidence helps shape the idea that larger households having naturally bigger expenditures simplify their shopping by limiting themselves to fewer stores. An interesting aspect that deserves attention here is first-store loyalty (Cunningham, 1961) which is the proportion of higher grocery spending allocated to primary store by the consumers. It was surmised that their spending and loyalty would join forces to produce higher spending in their primary store if more loyal shoppers spend more in supermarkets. This was supported by findings of Enis and Paul (1970), Mason (1991) and East, Harris, Willson and Lomax (1995), all of whom showed that households who are more loyal purchase more in the primary store when compared to their less loyal counterparts. This finding has important implication for grocery retailers in that they should make adequate efforts to target these loyal patrons with the dual purpose of retention and recruitment. Most consumers exhibit multiple store patronage although there may be differences across store types. Loyal shoppers shopping exclusively at a single store are practically negligible (Cunningham, 1961). This has been found to be true in subsequent studies. Notwithstanding differences existing across store types, consumers mostly tend to be multiple-store shoppers. Thus Kau and Ehrenberg (1984) quote in a study "grocery stores have fairly low loyalty in the sense of generally not satisfying...customer's total needs...." Expanding on this, one can state that consumers would exhibit greater patronage for furniture as compared to garments, more for garments as compared to grocery etc. Ailawadi and Keller (2004) affirm that store loyalty improvement could be attributed to facilitation in shopping by enabling customers to buy a single brand across a wide range of product categories. Consumers perceptions evaluated in terms of dimensions of store image, price and promotion, cross-category assortment and within category assortment can help develop strong and unique brand associations in the minds of consumers.

2.2.2 Store Patronage

Store Patronage is a behavioral phenomenon and is usually measured in terms of comparing consumer's total purchase from the store with the total family consumption. The period over which consumption happens may be taken as a month or a week. Loyal shoppers who exclusively shop at a particular store are so rare as to be practically negligible (Kaul, 2006). This is also supported by earlier research in this area by Cunningham (1961) and subsequent study by Kau and Ehrenberg (1984). The review paper by Osman (1993) concludes that store loyalty is linked with the consumer predisposition to repeat purchase at the same store. Jacoby and Kyner (1973) defined customer loyalty as a "behavioral response....as a function of psychological process". There have been numerous studies conducted on the subject but a clear conceptualization of what store loyalty really means is yet to emerge. It has both been thought to be related to store patronage dimensions (Reynolds, Darden and Martin, 1974) and attitudes (Tidwell and Horgan, 1992). Consequently, the implication has been that it is taken as a mix of both behavior and attitude. Dick and Basu (1994) conceptualized loyalty as a function of relative attitude and patronage behavior. Enis and Paul (1970) established statistical significance of positive correlation between store loyalty and consumer spend as a percentage of total expenditure. Tate (1961) found that loyalty implies an increased number of shopping trips when compared to other stores. In fact in food shopping, effective segmentation can be achieved taking loyalty as an important basis (Reynolds, Darden and Martin, 1974). The conceptual model by Dick and Basu (1994) suggests loyalty as the relationship between relative attitude and patronage behavior which has been referred by Piron (2002). Studies have since shifted focus to other constructs as explanatory variables (Bellenger, Steinberg and Stanton, 1976). The Journal of Retailing had an entire issue (Winter, 1974-75) dedicated to store image. A number of studies report direct association between store Image and intensity of store loyalty (Kunkel and Berry, 1968; Reynolds, Darden and Martin, 1974; Korgaonkar, Lund and Price, 1985). Demographics and socioeconomics could explain very little of the loyalty and patronage behavior nor could they prove to be effective bases for segmentation (Lichtenstein, Burton and Netemeyer, 1997; Kunkel and Berry,

1968; Reynolds, Darden and Martin, 1974). Earlier research has generally pointed towards weak and not very significant association between store loyalty and demographic correlates. Farley (1968), using the same data as Cunningham (1961), found no association between store loyalty and demographic measures. However, subsequent research by Carman (1970), Enis and Paul (1970) and Dunn and Wrigley (1984) reveal low income as a correlate. Mason (1991, 1996) found that household size and number of children are positively associated. Mcgoldrick and Andre (1997) established a positive relation between loyal shoppers and larger consumer incomes. Under 45 years old shoppers are found to be relatively more loyal by Mason (1991) and East, Harris, Willson and Hammond (1995). Mason (1996) eventually established that the 65+ age group is the least loyal. Some retail store patronage studies assume that convenience is the primary reason for loyalty and many studies in this area find their genesis in a model proposed by Huff (1964) which states that customer patronage is directly proportional to utility factors given by square feet and inversely proportional to disutility factors given by physical distance. Location linked variables are accorded importance in investigating both trade areas and retail patronage behavior (Hubbard, 1978). These studies very often speak about the benefits of locating a store in a shopping centre or mall to increase customer footfall. These studies determine shopping centre traffic better than single store traffic (Gautschi, 1981). The Huff Model has been studied later by considering trade overlap areas for effect on store patronage (Bucklin, 1971). Several other factors, other than distance, such as Income and social class perceptions have been studied to better comprehend retail centre patronage decisions (Moore and Mason, 1969). These studies highlight the distinctiveness of assortment as a way of positively influencing store loyalty and patronage in a given trade area. It has been found that in consumer priorities, assortment and variety come just after convenience and price. (Arnold, Tae and Tigert, 1984; Craig, Ghosh and McLafferty, 1984; Louviere and Gaeth, 1987).

2.2.3 Service, Satisfaction and Customer Relationship Management

Maintaining service quality and customer relationship management (CRM) has become the most important challenge in retail marketing (Sathyapriya, Nagabhusana and Nanda, 2012). Retailers need to establish rapport with their targeted shoppers to gain insight into their characteristics. This would make it possible for them to be informed about the personal needs and desires of the shoppers by being aware about their opinions, values and motivations (Wong, Osman, Said and Paim, 2014). Verma and Verma (2013) advise that retail outlets ought to send cards on occasions like birthday, anniversary, festivals etc. as the customers would feel happy that the store is showing personalized concern for them. CRM strategies are being devised keeping in mind 80:20 Pareto theory, which states that small proportion of customers give exceedingly high profitable business. These profitable customers who are loyal, regular and affluent, ought to be offered better retail services. Some of the customers, who may not be contributing to the same extent, are found to be more influential by their word of mouth. Customers have become more demanding in availing quality service (Szymanski and Hise, 2000; Verhoef, Franses and Hoekstra, 2001). Berry (2001) has pointed that experience is an important factor that differentiates an effective retail outlet from the ordinary ones. The endeavor should be to augment the whole shopping experience which is the key to retailing effectiveness (Berman and Evans, 1995). Hence, retailing effectiveness should be judged by the extent to which a retail outlet is able to satisfy its customers. Singh (2013) proposes a fresh theoretical framework to better comprehend service encounters. The understanding of the phenomenon through empirical observations are encouraging which give a strong foundation on which more studies on CRM can be carried out. From the management standpoint, it provides direction for retailers in terms of the aptness of the mechanisms and strategies they must use to augment customer loyalty.

Customer satisfaction occurs when customer's reported experience with a firm, its products, or its services exceeds specified satisfaction goals. Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Kumar, Jones,

Venkatesan and Leone (2011) confirm that customer satisfaction is seen to arise when customers compare their perceptions of product and service performance with their expectations. Oliver (1999) states "satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment". In nut shell, the definition has come out with three levels of satisfaction, under fulfillment, fulfillment (pleasurable) and over fulfillment. In the endeavor of evolving more integral and comprehensive definition, Levy and Weitz (2007), authors of 'Retailing Management' have defined CRM as "A business philosophy and set of strategies, programs and systems that focuses on identifying and building loyalty with a retailer's profitable customers." Kursunluoglu (2011), in his study about effect of customer services on customer satisfaction and customer loyalty found that customer service is one of the important tools used for creating customer satisfaction and customer loyalty and it explains 13.9% of the variance in customer satisfaction and 12.5% variance in customer loyalty. A specific research conducted to understand the impact of personal and non-personal retail services by Palic, Maricic and Kovac (2011) indicates that there is significant impact of level and quality of personal service on customer satisfaction and loyalty, but non-personal services has much more impact on customer loyalty. The research has provided empirical substantiation of positive but feeble and insignificant relationship between a salesperson's work satisfaction and customer satisfaction. On testing the reliability of the scale in the framework of customer satisfaction measurement, Coelho and Esteves (2007) found ten-point scale shows better properties than the five-point scale and that the ten-point scale generally shows higher validity than the five-point scale. The study has also confirmed that the five-point scale tends to show a higher attraction of responses towards the middle point of the scale.

The relation between loyalty and satisfaction has been much debated. There is a more or less general consensus that satisfaction may be related to loyalty but cannot be taken as akin to loyalty (Dube and Maute, 1998). Jones and Sasser (1995) measured loyalty as customer's inclination to repurchase and inferred that upgrading the level of

customer satisfaction breeds long-term loyalty. It has been empirically demonstrated that customer perceived value directly influences customer satisfaction (Moliner, Sanchez, Rodriguez and Callarisa, 2007) and customer loyalty (Dagger, Sweeney and Johnson, 2007). As per Kotler and Armstrong (2010), 'customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted.' Thus, pre-purchase expectations and post purchase perceived performance are the two important characteristics that have been considered here. Hanif, Hafeez and Riaz (2010) found that customer services or retail services and price fairness are independent variables which play a vital role in customer satisfaction and these variables not only influence the dependent variable i.e. customer satisfaction, but also have a complementary relationship. Customer service, one of the important tools used for fostering customer satisfaction and customer loyalty, can explain 13.9% of the variance in customer satisfaction and 12.5% variance in customer loyalty (Kursunluoglu, 2011). Palic, Maricic and Kovac (2011) demonstrated that there is significant impact of level and quality of personal service on customer satisfaction and loyalty but non-personal service has much more impact on customer loyalty.

2.2.4 Quality

In their work on drivers of customer loyalty in a retail store environment, Clottey, Collier, and Stodnik (2011) found that (i) increase in the customers' perception of product quality leads to an increase in the likelihood that the customer would respond in the 'strongly agree' direction to the customer loyalty question, service quality and brand image being constant, (ii) increase in the customer's perception of service quality leads to an increase in the likelihood that the customer would respond in the 'strongly agree' direction to the customer loyalty question, product quality and brand image remaining constant and (iii) high brand awareness by a customer would increase the likelihood that the customer would recommend the retailer to family and friends. In this research the set of alternatives are the seven point scale responses to show how strongly a

customer would recommend the retailer to family or friends. Gronroos (1984) proposed a quality framework scheme emphasizing on technical quality (what) versus functional quality (how). Parasuraman, Zeithaml and Berry (1985, 1988) brought forth the SERVQUAL framework which probably is the most popular framework by far followed by SERVPERF framework proposed by Cronin and Taylor (1992, 1994). The SERVQUAL framework considers five distinct dimensions: Reliability, Assurance, Tangibles, Empathy and Responsiveness. The SERVPERF framework draws on the SERVQUAL framework. Technical quality refers to the technical quality of the service (what). On the contrary, functional quality talks about the expressive performance of service (how). Smith and Wright (2004), in the study concerning the PC industry, made use of brand image, product quality, service quality and firm viability as direct determinants of customer loyalty to predict sales growth rate and return on assets in their Structural Equation Model (SEM). They inferred "service quality-not product quality-differentiates competitors in the PC industry". Hee-Su and Yoon (2004) used Binary Statistics Model to determine whether a mobile phone subscriber would recommend the Mobile Service Provider (MSP) to others. They found it statistically significant that call quality (service quality), customer mobile equipment type (product quality and features) and brand image are the variables that have positive effect on customer loyalty. Demographic variables like age, sex, income and education are not found to be significant.

2.2.5 Trust

There are many researchers who have advocated that trust is a very important factor in developing customer loyalty. Doney and Cannon (1997) define trust as perceived credibility and benevolence. Chow and Holden (1997) define trust in terms of consumer expectation which may be held by an individual that the words, promises, verbal and written statements of an individual or groups can be relied upon. Morgan and Hunt (1994) found that trust is directly influenced by shared values, communication and opportunistic behaviors and also identified a positive relationship between trust and commitment as the key factor ensuring relationship marketing success. Schurr and

Ozanne (1985) suggested that high trust can be instrumental in building a more favorable attitude towards loyalty. Trust was found to have a positive effect on customer satisfaction, favorable customer attitudes, purchase intentions and purchase behaviors (Swan, Bowers, and Richardson, 1999). The results of the study conducted by Nguyen, Leclerc and LeBlanc (2013) demonstrate the mediating role of customer trust between social identity (in its three forms: corporate identity, corporate image and corporate reputation) and customer loyalty which confirms the significant impact of the chain of effect identity-image-reputation on customer trust, which in turn affects customer loyalty.

Uncles and Laurent (1997) conceptualize loyalty as a behavioral measure (including exclusive and repeat purchase probability) and an attitudinal measure (brand preference, linking commitment, and intention to buy). Sirohi, McLaughlin and Wittink (1998) found that service quality perceptions are strongly related to store loyalty intentions. A model of store loyalty consisting of customer to salesperson and customer to store relationship was presented by Macintosh and Lockshin (1997). They conceptualized loyalty as including both positive attitude and repeat purchase behavior indicating trust and commitment to salespersons which brought about positive impact on both attitude towards store and purchase intentions. Attitudinal components such as perceived value, satisfaction, trust and commitment have been found to be the antecedents of customer loyalty (Hennig-Thurau, Gwinner and Gremler, 2002; Liang and Wang, 2004; Donio, Massari and Passiante, 2006; Ibrahim and Najjar, 2008). Trust is one of the reasons which make consumers shop from small stores (Kewlani and Singh, 2012). Customers are confident of getting quality products at a lower price (Sharma, Dubey and Pandey, 2011) which denotes trust for the store. Customers' perceived risk is minimized as trusted retail name tantamount to trust in the products offered by the retailer.

2.2.6 Value for Money

Customers are always in search for more rather than just "for shopping". They look for value adding benefits. In order to provide such services, retailers have to continuously innovate. Innovation should lead to retailing effectiveness in order to increase the value

consumers receive from their products and services (Levy and Weitz, 1998). Saji (2002a), in his effort to develop a branding model for retailing practices, defined the term 'retailing effectiveness' as "the degree to which a firm accomplishes the retailing objectives". Retailing effectiveness has been defined by Ping (1993) as the degree to which business activities add value to the products and the manner in which they are sold to customers for their personal and family use. Establishing the importance of employee work satisfaction, Evanschitzky, Groening, Mittal and Wunderlick (2011) suggested that overall employee satisfaction increases customer satisfaction and also confirmed that there is positive impact of service quality, product quality and value for money on customer satisfaction. Grover, Dutta and Chakraborty (2011) found that store convenience, appealing store atmosphere, product offering, value for money and price and choice availability are the factors which significantly explain the customer satisfaction in an organized retail outlet. Evanschitzky, Sharma and Prykop (2012) confirm that there is positive impact of service quality, product quality and value for money on customer satisfaction and pointed that overall employee satisfaction increases customer satisfaction. At the Wharton India Economic Forum held in March, 2013, the experts emphasized that the predisposition and capacity for Indian consumers to spend is dependent on a unique blend of price and value, and retailers who understand this phenomenon stand to reap enormous benefits of scale. Consumers believe that private labels offer higher value for money as compared to national brands (Neelmani, 2011). Private labels provide customers great value for money proposition. Customers are confident of getting quality product with a substantial price difference (Nair, 2011). Store brands offer value for money to customers and greater margin to retailers (Steenkamp, 2014).

2.2.7 Location

Location of a retail store is very important in determining its level of success (Anderson, 1972). A convenient location allows a retailer gain a sustainable competitive advantage over others besides being a critical factor in consumer selection of a store (Ailawadi, Borin and Farris, 1995). The costs incurred by the customer in reaching the store and

the price of the product together make up the total cost incurred by the customer (Pauwels, 2007). The delivery time and the bill-settling time at the sales counter refer to the timeliness factor (Saji, 2002a). Indeed, proximity is considered an influencing factor for choosing a store and a majority of shoppers agree to the fact that they prefer the nearby market as they can visit the shop at any time they want and it also saves transportation cost and time. It is also more convenient if the market is nearer home in case any item needs to be exchanged (Mohanty, 2012). Various theories have been propounded to assess the locational selection of retail stores. Zook and Graham (2006) have emphasized the role of location for Wal-Mart and analyzed its global, national, regional and local location strategies. Huff proposed that the probability of a consumer patronizing a certain shopping area is directly related to its size, inversely related to its distance from the consumer and the utility of competing shopping areas (Brown, 1993). Thus, trade areas can be mixed and blended together in a more practical manner. Since then, additional components have been incorporated in the original Huff Model to make it more realistic (Suárez-Vega, Santos-Peñate, Dorta- González and Rodríguez-Díaz, 2011; Xu and Liu, 2004). In the mean time, advancements have also been affected on the Generic Gravity Model. For instance, Fotheringham (1983) considered the relative location of a destination with regard to all other destinations and came up with the term Competition Destination Models. Gonzalez-Benito, Muñoz-Gallego and Kopalle (2005), Picone, Ridley and Zandbergen (2009) and Teller and Reutterer (2008) also considered the agglomeration effects. Spatial arrangements of multiple stores are supposed to bring about agglomerative effects since they compete against each other. Consequently, the mixture of competition and agglomeration may have interesting impacts on store performance. As Oppewal and Holyoake (2004) have shown, in the event multiple stores are placed very close together like in a shopping mall, increase in purchase incidence can be observed owing to an agglomeration effect. Yet, prior research in this area was confined to definition of competition and agglomeration effects individually and to determine their influence on store performance monitoring procedures (Ghosh and McLafferty, 1987). Fotheringham (1983) has argued that the more reachable a destination, less is the chance that this destination is a terminating

point for interaction from any particular source although he has also demonstrated later that agglomeration effects are stronger than competition forces amid retail stores in shopping malls. Thomas and Bromley (2003) have shown that with increase in proximity of retail stores in a shopping centre, there will be a corresponding increase in the attraction of the shopping environment. Stores having greater likeness with regard to category and characteristics has better substitutability and provide more realistic competition (Shields and Kures, 2007). Two theories talk about the stores agglomeration effect. Hotelling's seminal paper, 'Stability in Competition' (1929) argues that a given number of comparable stores running within the same area sector will accomplish superior performance if they happen to be clustered together. 'Theory of Cumulative Attraction' propounded by Nelson (1958) suggests that retailers of diverse categories also gain if they are located in each other's vicinity.

2.2.8 Ambience

Store design revolves around atmospheric and ambience that draws customers by creating an enjoyable purchasing experience (Vazquez, 2002). It further involves developing certain areas and coming up with strategies that improve customer commitment in its course. Ambience, one of the prime store environment factors, affects overall shopping value of customers and in so doing, provides an opportunity to initiate strategic adjustments which in its wake can engender superior customer experience and increased value (Shukla and Babin, 2013). According to Beverland, Lim, Morrison and Terziovski (2006), music constitutes an important part of store ambience and influences the formation of experience with the store and connection to the emotions of customers. As per Parente (2000), store ambience ought to be comprehended as a psychological feeling the retailer invokes on the customer within the store. Hawkins, Mothersbaugh and Best (2007) argue that "the ambience of the store is influenced by attributes such as lighting, layout, presentation of goods, accessories, flooring, colors, sounds, smells and the clothes and behavior of the sales and service staff". But, according to Levy and Weitz (2000), music is the most relevant among them having greater impact on the customer in the store ambience. Kónya and Havrila (2005), in their literature review, confirmed ambience as a vital aspect that influences customer

satisfaction in the course of their purchase from a store. Hawkins, Mothersbaugh and Best (2007) found that the store ambience element is primarily affective or sentimental in nature. Blackwell, Miniard and Engel (2005) state that store ambience consists of the physical properties of the retail store created with the help of colors, lighting, smells and music intended to influence the customer to purchase from the store. The store ambience can convey the individuality and image of the store to the customer. Hence, the image of a store as perceived by the customer is linked to the store ambience to a large extent. Therefore, as argued by Levy and Weitz (2000), the retailers need to ensure store ambience to be in line with their image and their overall strategy while designing or redesigning a store. It is clear that the ambience of a store to a large extent influences customers' opinion about the quality and image of the store (Hawkins, Mothersbaugh and Best, 2007). Ambience factors have a crucial role to play in generating a positive store image. These factors affect consumer behavior in participation of the service production and consumption process (Rao and Manikyam, 2013).

2.2.9 Display

While cost awareness has increased the incidences of planned purchase and as high as 65% of shoppers use lists, shopping choices are frequently influenced by end-of aisle and merchandising displays (Zell, 2009). Package design, including where text and images are positioned, influences product recall as well as purchases (Rettie and Brewer, 2000) even though the influence of design vary by the type of display consumer segments look for (Silayo and Speece, 2007). There is an increasing focus on the display of products among retailers and researchers under the heading of 'Aisle Management' (Larson, 2006). Studies show that the closeness of categories to one another can produce cross-category purchases as both facing aisles and end-of-aisle displays can considerably increase purchases on a level comparable to other marketing mix strategies (Bezawada, Balachander and Shankar, 2009; Inman, Winer and Ferraro, 2009), even though these display related effects are not found to influence product categories equally. Display of products aid comparisons on different attributes. As a

case in point, Desai and Ratneshwar (2003) found that the differential positioning of low-fat variants of junk food impinges on perceptions of those foods. If they are placed in a health-food section, they seem to be better tasting but less healthy than when they are positioned in company of junk food of similar category. Moreover, if consumers purchase products in 'virtue' categories early on, there is an increase in their purchase of 'vice' products later in the shopping sojourn subject to variance by economic and demographic characteristics of consumers (Kahn and Wansink, 2004; Campo, Gijbrecchts, Goossens and Verhetsel, 2000). Zell (2009) reports that shoppers habitually notice end-of-aisle displays, merchandising displays, department signage, shelf strips and shelf blades, and depict these additional product information on shelves as bearing the maximum impact over their purchase decisions. Therefore, store display decisions are vital and should be taken in order to stir up greater productivity in the shopping arena (Parente, 2000).

2.2.10 Store Image

Several studies report direct linkages between store image and intensity of store loyalty (Kunkel and Berry, 1968; Reynolds, Darden and Martin, 1974; Korgaonkar, Lund and Price, 1985). Thus, we can conclude that more positive the store image, greater is the degree of loyalty. In a review paper based on his references to several other studies, Osman (1993) proposes a model that patronage is the result of past purchasing experience and the customers' (favorable) image of the store. He stresses that patronage behavior is the culmination of past purchase experience and the congruity of the store image between the retailer and the consumer.

Several studies have established the linkage between various elements of the retail mix and their impact on store image and hence loyalty. According to Kahn and Lehmann (1991), varied assortment, one of the retail mix elements, may be the key driving force to store choice. If retail mix elements are in congruence with the desired benefits, it results in customer loyalty (Osman, 1993). These studies indicate that retailers adapt their retail mix according to what they perceive as important attributes to their target market and how they perceive their consumers as processing the information conveyed

by the retail elements. The aspect of congruity between the retail mix elements as designed by the retailer and the self-image or self-concept of the consumer has received much attention. Research has shown that greater the congruence between self-image and store image, greater is the probability that the customer is loyal (Pathak, Crissy and Sweitzer, 1974; McClure and Ryans, 1968; Dornoff, Ronald and Tatham, 1972). Store image impacts both store choice and shopping trip habits (Doyle and Fenwick, 1974; Schiffman, Dash and Dillon, 1977). Variety perceptions (a store image dimension) and retail mix drive satisfaction and store choice (Hoch, Bradlow and Wansink, 1999). A combination of dimensions like merchandise, store location, promotion, pricing policy, service, store clientele, store ambience and layout etc. comprise the consumer's perception of the store and its attributes, which may be defined as the store image. These dimensions are viewed in combination by the customer in order to simplify matters to produce a store image (Cox and Brittain, 2004). Creating attractive store image is a key advantage for retailers to achieve and sustain success in a highly competitive market place. As a consequence, retailers strive to make their customers perceive their store image positively. Retailers who manage their image successfully can influence consumers' store patronage decisions and improve their competitive position (Venkateswaran and Mahalakshmi, 2010). According to Schiffman and Kanuk (2008), perception can be defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Stimuli are perceived, transformed into information and stored through information processing which is made up of a series of activities (Hawkins, Best and Coney, 2004). Information processing model has four steps: exposure, attention, interpretation and memory, of which the first three constitute perception. Exposure takes place when a stimulus comes within the range of our sensory receptor nerves. Attention occurs when the stimulus activates one or more sensory receptor nerves and the resulting sensations go to the brain for processing. The assignment of meaning to sensations constitutes the interpretation phase. It is a function of the gestalt, or pattern, formed by the characteristics of the stimulus, the individual and the situation. It is essential to identify and aggregate the relevant consumer attitudes for a proper

measurement of the image of a retail store and shopping centre. Fisk (1961), in his conceptual model for studying customer image, sums up store image as a cognitive dimension in a more comprehensive presentation. Store image may be utilized to identify relevant attitudes that assist in the development of measurement instruments for a particular retail store (Jain, 2009). The perception of the customer determines the success or failure of any business, and retailing is no exception. It is vital to have knowledge about the customers and their expectations and performance of retail outlets in their views in order to make the customers happy or satisfied and loyal to the outlet (Nene, 2007).

2.2.11 Brand Loyalty

Store loyalty was found to be weakly associated with brand loyalty by Cunningham (1961), and subsequent research by others (Rao, 1969; Carman, 1970; East, Harris, Willson and Hammond, 1995) revealed the same. Carman (1970) established that the consumer tendency to avoid exploratory shopping, whether store or brand, is the genesis of the relationship between brand and store loyalty and also inferred that the number of brands the shopper has as a choice comes down significantly due to limited store patronage. This does not leave much scope for the shoppers to diversify their brand purchase. After adjusting for the effects of private label brands, Rao (1969) found a positive correlation between store and brand loyalty. That little of the association could be attributed to private brand loyalty was shown by Uncles and Ellis (1989). East, Harris, Willson and Hammond (1995) showed that private brand loyalty plays an insignificant part in this association between store and brand loyalty.

Customers' brand loyalty very often supersedes their store loyalty in the retail industry. Bloemer and Jos (1992) infer the existence of a positive relationship between brand loyalty and dealer loyalty (in this case automotive industry) in their regression model using a nine point scale exhibited by repeat purchase intentions on the part of the consumers. Repeat purchase intentions and willingness to recommend a dealer or a brand was measured by Huber and Hermann (2001) using a five-point scale confirming a statistically significant positive relationship between the two constructs. These results

suggest that brand image has a direct impact on customer loyalty as their definition of dealer loyalty is similar to the definition of customer loyalty. There has been a transformation in consumer's preference and behavior. There is now a hitherto unheard urge to try both new products and new brands noticeable in a sweeping preference of brand variety and novelty over brand loyalty. It is being witnessed in recent times that today's consumers have the desire to try out as many possibilities as they do not want to miss out on anything. Undoubtedly, this has negative effect on brand loyalty. Venkateswaran (2003) found that new brands, variety and non-satisfaction are foremost grounds for brand switching. Switchers are mainly influenced by brand name in buying decisions, followed by quality and price. Quality, promotion, store amenities and service are factors attributable to brand loyalty while price consciousness is still a driving force. In order to survive, the retailers are working on supply chain and operations efficiencies along with the critically important sales and marketing effort.

2.2.12 Customer Switching

The relationship between switching barriers and loyalty reveals that "too often" and "too similar" sales promotion programs of competitive department stores render the promotion effects ineffective which do not contribute to the attractiveness of competitors. The promotion effects have a positive and significant influence on loyalty. Promotion effects are also the most important weight to loyalty because it also depends on the reward of promotion. The negative relationship between promotion effects and attractiveness of alternative supports the promotion effects which can lower the attractiveness of competitors (Tung, Kuo and Kuo, 2011). Retailers today are facing increasingly tough competition and struggling to retain their existing customers and acquire new customers. Due to the availability of many options customers are switching to competitors if they are not satisfied. Better retail service induces customer satisfaction, which in turn results in customer loyalty, positive word of mouth, product repurchase and customer retention. Jackson (1985) affirmed the association between switching cost and customer retention. De Ruyter, Wetzels and Bloemer (1998) established the role of switching costs into loyalty. Jones, Mothersbaugh and Beatty

(2000) defined the switching barriers that preempt consumers from changing their suppliers with the help of three variables viz. the interpersonal relationships, perceived switching costs and attractiveness of alternative. Ranaweera and Prabhu (2003) found switching barriers to have positive impact on customer retention and cost effectiveness while trying to retain customers. Chang and Chen (2007) established that the switching barriers have a notably positive effect on customer loyalty. Han, Back and Barrett (2009) found that the degree of switching barriers was impingent on the relationship between revisit intention and customer satisfaction. In a bid to strengthen relationships with their customers, marketers are showing renewed interest in customer loyalty programs. But there is a question mark on how effective these programs are. Research on "normal" patterns of loyalty in established competitive markets suggests that in many cases it is hard to obtain exceptional advantages through the launch of a loyalty program. Also, competitive forces tend quickly to erode any differential gains (Dowling and Uncles, 1997).

2.2.13 Private Label Brand

The changing customer tastes and the need to fill a gap in the product offering is the key reasons for the retailers to opt for private labels. This gap may be due to the non-availability of particular product/category. The retailer may also seek to create a competitive advantage in his domain by aiming to offer a product that is unique and thus also builds on customer loyalty. Consumers develop divergent perceptions of national brands vis-à-vis the private label brands. It is found that for certain product categories, customer belief about quality of national brands is far too strong for store brands to make any impact on consumer loyalty. Louviere and Gaeth (1987) are of the opinion that competing stores should differentiate themselves based on type and quality of assortment as consumers are found to be more inclined to revisit a store where they have had unparalleled shopping experiences. Retail mix elements can be effectively used by retailers as environmental cues to engender customer loyalty and one frequently used strategy in this regard is the development of own store/private label brands. But it is too early for an Indian retailer to venture into the territory of brand

building as they are hamstrung by limited promotional budget at disposal presently. In grocery retailing in India for instance, store brands account for less than 2% of sales value in Food World (Kaul, 2006). But, it is expected that sooner than later this area will see more investments coming in owing to push for greater margins and the need to retain the loyal consumer. Private labels are set for accelerated growth with the majority of the world's leading grocers increasing their own label penetration (Planet Retail, 2007). In the US super markets, drug chains and mass merchandisers, one out of every five items sold every day happens to be a private label product and the share could even go higher in Western Europe (Kumar and Steenkamp, 2007). This growth is primarily driven by retailers' desire to earn higher margins and acquire increased bargaining power with national brand manufacturers (Ailawadi and Harlam, 2004). The third reason for increasing private label use by retailers is because it helps them boost store traffic and customer loyalty (Richardson, Jain and Dick, 1996; PLMA, 2011). On the flip side, there is some evidence that consumers may not differentiate between the private labels of various retailers and may be generally loyal to private label products and not to the private label products of any particular retailer (Richardson, 1997). Singh, Hansen and Blattberg (2006), in their study of customer loyalty, contend that heavy private label users are more likely to switch over to Wal-Mart when it enters a particular area. Thus there are contrary views expressed on whether private label brands use is associated with greater store loyalty. In general, retailers are making a concerted effort to raise their private label offering (Kumar and Steenkamp, 2007). Ailawadi, Pauwels and Steenkamp (2008) have shown that there exists an inverted U relationship between private label share and share of wallet (SOW) of the consumers which means that even for a high quality private label program, a retailer runs the risk of overdoing it.

Globally, Private labels are developed as value innovators in premium categories for profit maximization and customer loyalty (Lukić, 2011). Retailers prefer private label brands because of their potential to increase store loyalty, chain profitability, control over shelf space, bargaining power over manufacturers. Beneke (2010) analyzed the consumer perceptions of private label brands within the retail grocery sector of South Africa. Consumers who are heavy purchasers of private label brands may not prove to

be more profitable in the long run as these consumers may be substituting a more expensive manufacturer brand with the less expensive private label option. The advantages of private labels are increased profitability through cost saving and increased margins, increased store loyalty and creation of distinct corporate identity, opportunities to seize new market ventures and increased bargaining leverage with suppliers. Demographic variables are largely ineffective in determining an individual's propensity to buy private label brands. Income is found to be the most prominent of all variables, revealing a direct relationship between income and affinity towards private label brands. Chakraborty (2011), in his analysis of buyer behavior towards private label colas, finds brand image to be an important element of branding theory which plays an important role in the brand building process. Price and quality are the two important characteristics for choosing a private label and there is a direct relation between them. Fraser (2009) researched on the influence of store image on attitudes toward the same private labels across stores. The effect of store image is positively associated with attitudes toward private labels but differs by retail chain and private label type. Store assortment quality is the major determinant of attitude of private labels. It indicates that there can be a poor fit between store and private label positioning. Nair (2011) argues that private labels have graduated from being a niche segment to catering to the needs of the urban youth largely because of increase in their disposable income and growing awareness of lifestyle and fashion trends.

2.2.14 Promotion

A consumer could demonstrate patronage behavior and still not be loyal. This 'spurious' loyalty is difficult to differentiate from true loyalty in the short term and arises due to price offers and intense promotions. Deal prone consumers would shift to a store that offers price offs or discounts for a short period of time when they may have the same shopping pattern as loyal customers (Lichtenstein, Burton and Netemeyer, 1997). Genuine loyalty is the prime attitudinal objective that every marketer/retailer aims for with his marketing/ retail mix elements (Kaul, 2006). A loyal customer would patronize a particular store over other stores and tend to be tolerant of service errors of present store by highlighting the value of other attributes and downplaying the significance of

the store's weaknesses. But this holds true up to a threshold limit and a retailer should be aware that a serious dissonance would dislodge loyalty and make the consumer move to a rival store (Reynolds, Darden and Martin, 1974). Dissonance might be a result of declining performance of the store or despair arising out of the changing expectations of the customer and what the retailer is offering. Beyond the threshold level, loyalty erodes, usually in favor of another store (Anderson, 1973). Applebaum (1966) found that the extent to which loyalty can be enhanced is linked to the degree a store or a shopping centre can exercise its centripetal pull.

2.2.15 Consumer Characteristics

Based on the above interactional relationships, we can identify consumer characteristics as another antecedent. Pessemier (1980), as quoted by Black (1984) identified three influencers of consumer patronage: Consumer Characteristics (which impacts the store choice and the shopping patterns), Competitive Environment (as determined by the competing outlets in the trade area) and Store Characteristics (as defined by the specific retail mix elements). Studies that have incorporated individual differences have examined its impact on store image through a variety of intervening/influencing/moderating variables. According to Bellenger, Robertson and Greenberg (1977), "the store patronized is a result of both the relative importance of various motives and the shopper's assessment of alternative stores with respect to the various factors used in making the selection". This leads a researcher to examine two aspects related to individual dispositions: one related to customer motives in shopping and the other related to information processing about the store related aspects. Guttman (1990) found a direct linkage between personal values and desired consumer benefits. He also found that past shopping experiences act as an influence in forming these expectations about desired benefits from purchasing at a store. Individual dispositions and personal characteristics interact with the situation (product to be bought and the context of purchase) to result in the benefits that a customer desire from a store purchase (Hansen and Deutscher, 1977). Several studies find that situational factors impact consumer characteristics (Miller and Ginter, 1979) and produce

significantly varying store choice and shopping trip behavior (Mattson, 1982; Belk, 1975). Episode specific characteristics have been found to explain as much as 12% of the variations in consumer behavior (Singh, 1990). In fact, usage context has been considered as a critical factor determining consumer preferences and satisfaction (Miller and Ginter, 1979; Belk, 1975). Evaluating store image on purely objective criteria without accounting for individual subjectivity would lead to insufficient and maybe erroneous information to retailers (Hirschman and Krishnan, 1981). Amongst various other situational variables, the variations of Task Definition and Perceived Risk (Hisrich, Dornoff and Kerman, 1972; Mitchell, 2001; Dash, Schiffman and Berenson, 1976; Prasad, 1975) have been linked most often to personal consumer characteristics. Nielsen's Shoppers' Trend Study, 2008, has disclosed that many changes have taken place in consumer shopping behavior and purchase patterns in the wake of modern trade. Shopping at supermarkets has become more frequent than before and the average basket size per trip is also increasing and shoppers are increasingly shopping at supermarkets for fresh fruits and vegetables (Images F&R Research, 2009).

2.2.16 Store Choice

Several studies (Stone, 1954; Darden and Ashton, 1974) have found correlations between shopping orientations and life style and between store loyalty and preferences for stores. Several theories can be applied while studying information processing by consumers. Information processing is related in research to both store choice and shopping trip behavior. One set of theories assumes that all evaluation criteria are considered simultaneously. This theory states that consumers do not distinguish between objective and subjective evaluation criteria. They tend to use both simultaneously when arriving at a store choice decision (Hirschman and Krishnan, 1981). Another set of theories holds that the processing happens sequentially. First, there are certain factors used to make a choice among clusters and then within the chosen cluster, other parameters are used for decision making (Fotheringham, 1988). Much has been discussed about the sequential pattern. It is generally agreed upon that as dimensions of comparison among stores increase and consequently the consumer

has to process vast amounts of information before he can make a choice, the hierarchical process becomes more applicable (Black, 1984). From the Indian retailers' perspective, given the limited number of dimensions at present, the picture that emerges from a holistic analysis is more useful than an academic analysis into the sequential/simultaneous process. Another set of theories states that consumers use a limited set of evaluative criteria when making a choice and that this varies depending on personality, context and product. These theories have drawn significantly from Consumer Behavior Models of Automatic Cognitive Information Processing, Threshold Model etc. (Kau and Lowell, 1972; Malhotra, 1983) for store choice and examine how attitude impacts behavior. These studies have analyzed how store image perceptions, dependent on personal characteristics, impact store choice and shopping patterns (Popkowski and Timmermans, 1997; Kim and Park, 1997). Research also indicates that store choice and shopping trip patterns are interrelated. This paragraph quoted from Kahn and Schmittlein (1989) best explains the interrelationships: "Store choice is dependent on the timing of shopping trips, as consumers may go to a smaller local store for short fill-in trips and go to a larger store for regular shopping trips." According to Popkowski, Sinha and Timmermans (2000), personal differences interact with situational factors and together they determine the store choice and shopping trip behavior.

Several studies show that store choice is affected by the past experiences of the consumer. Aaker and Jones (1971) quote from an unpublished dissertation by Rao (1969): "A consumer's selection of a store...is not completely random. The more recent her purchase experience...and the more frequent her visits to the store, the more she is likely to repurchase that product in that store". This shows that past experience influences store choice and trip pattern to change, alter or reinforce the new shopping experience. Several models are used to study the shopping pattern either in isolation or in conjunction with store choice. These vary in terms of applicability and assumptions e.g. the dynamic Markov Model (Popkowski, Sinha and Timmermans, 2000) assumes that the average number of shopping trips is the same in each successive, equal length period and that the transition matrix does not vary over time. The NBD and Dirichlet

Models (Kau and Ehrenberg, 1984) combine purchase timing and store choice and assume that number of purchases made at a store is independent of previous purchases at that store. Models that have done away with these assumptions place other restrictions, primarily in terms of variables that are considered. Clearly, models that can better explain the complicated consumer mind are still evolving. Several models like the Nested Logit Model, the Hazard Model etc. have tried to capture the holistic perspective but they are of relevance in highly competitive scenario where scramble merchandize results in stores competing with a wider variety of formats and consumer loyalty is hard to retain in the face of heavy promotions. Indian retailers would not need to look at these for the next decade or so. Thus we can say that consumer characteristics interact with situational variables to impact how information about the retail mix elements is processed resulting in store choice and trip patterns.

2.2.17 Mall Culture

It is being seen that the new generation is getting more discerning towards mall culture riding on a wave of rising consumerism and a youth driven culture. Shopping activity is getting converted from being a need-based activity to a leisure time entertainment activity and the consumer today spends to achieve the 'feel good' factor from their shopping experiences. Thus the entire scenario of shopping has changed to the mall concept. Emergence of mall culture is thus getting activated in the cities and it is found from the past studies that shopping at malls has become a favorite pass time for the youth customers (Mohanty, 2012). Now, taking into consideration review of existing literature on Indian retail sector and various reports which are published from time to time, it is very difficult to predict the nature of impact organized retail would have on the unorganized retail sector particularly on small mom and pop stores. India has one of the largest unorganized retail markets in the world (Jones, 2008) but India's per capita retailing space is the lowest in the world with more than 96% of retailers operating in less than 500 sft of area. In their survey of 245 small retailers in Delhi and NCR area, Singh and Tripathi (2008) found that there is a substantial decline in the sales performance of small shops. Small shops in the well-to-do areas and in the inner

streets, however, have bucked the trend and are comparatively less affected by malls. Results of a similar survey undertaken by Kalhan (2007) in Mumbai points towards a decline in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electrical and electronic goods in small stores. Many small retailers, confronting an uncertain future, fear loss of livelihood. The problem has been compounded by the fact that compulsion drives millions of Indians to join the services sector due to overcrowded agricultural and manufacturing sectors (Trivedi and Das, 2007). Faced with tough competition from organized retail outlets, the small retailers have resorted to corrective measures and various strategies to boost their sale. These include new sales promotion initiatives like tele-orders, home delivery and sales on credit besides adding new product lines and brands, better display, renovation of store, introducing self-service etc. Few retailers have also increased their working hours and are open seven days a week.

2.3 Conclusion

The size and market share of organized retail in India is poised to increase in the coming years, given the well-developed macro-economic performance, positive consumption pattern owing to rising personal disposable income, swift development of tier II and III cities, availability of excellent retail space and recent entry of giant industrial houses into retailing with focus on large store formats (Kumaravel and Kandasamy, 2012). Global consultancy firm PricewaterhouseCoopers (PwC) expects Indian retail sector to be worth US\$ 900 billion by 2014 in its report 'Strong and Steady 2011'. The opening up of Foreign Direct Investment (up to 51%) in the multi-brand retail segment is expected to bring in an investment of over ₹ 400 billion and open up huge opportunities for farmers, the industry and consumers (White paper on "FDI in Retail- Advantage Farmers", Food and Agribusiness Strategic Advisory and Research-YES BANK, 2012). As per the report, jointly commissioned by ASSOCHAM and Yes Bank, the overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15% over the next five years from ₹ 23 trillion in 2011-12 to ₹ 47 trillion in 2016-17. Rising incomes will be the primary driver of this growth. Favorable demographics, increasing urbanization and nuclearization of families are other factors

which will drive retail consumption in India. According to a McKinsey and Company report (The Great Indian Bazaar: Organized Retail Comes of Age in India, 2008), organized retail in India is expected to increase from 5% of the total market in 2008 to 14-18% of the total retail market and reach US\$ 450 billion by 2015.

Although the big retailers are giving tough competition to small store owners, consumers are still in favor of small retailers as is evident by the persisting dominance of unorganized retail. Notwithstanding the rapid expansion of the organized sector, the bulk of retailing in India continues to happen via the small and traditional general stores (Kumar, Namesh and Vishwas, 2010). Such stores continue to compete successfully even as modern retailing advances rapidly (Humphrey, 2007; Trail, 2006). In their survey conducted on cities of Mumbai, Kolkata, Aligarh and Vizag, Chattopadhyay, Dholakia and Roy (2010) point that even as modern retailing makes rapid penetration in India, most small traditional stores (STS) are resilient and remain competitive by dint of their service mix. Indian consumers have been found to be more inclined towards the unorganized retail format due to demographic and sociological factors like education, religious belief, type of purchase, the type of product they utilize, their daily requirement and technology in terms of the channels they select to purchase and buy (Bulsara and Trivedi, 2013). Consumers go to shopping malls for many reasons. Location/accessibility, parking facility, security at parking, outing, credit card payment, customer assistance and complaint handling are the attributes of prime importance from customer's viewpoint among the peripheral ones. In core attributes, priority is given to variety and assortment, merchandize, billing and delivery system, price, discounts and gifts (Mishra and Shandilya, 2012). However their preference for shopping malls does not let them renege on small retailers. The various reasons that make consumer shop from small stores are relative proximity, trust, reasonable pricing, friendliness displayed by the retailer, long term-relationship, free home delivery and credit facility. Small retailers need to work increasingly harder to sustain this long lasting impression and relationship with consumers by accepting the challenge posed by big malls (Kewlani and Singh, 2012).

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CHAPTER -III

INSTRUMENTATION AND PSYCHOMETRIC PERFORMANCE OF SCALES

3.1 Introduction

Consumer products distribution starts with the producer and eventually ends at the ultimate consumer. The retailer, who links the producer and the ultimate consumer, is the intermediary between the producer and the consumer. The word "retail" is derived from the French word "retailleur" meaning "to cut a piece off" or "to break bulk" (Bajaj, Tuli and Srivastava, 2005). Retail sector basically comprises of organized and unorganized sectors. Organized retailing refers to the corporate-backed hypermarkets and retail chains and also the privately owned large retail businesses. The traditional formats of low cost retailing e.g. the local *kirana* shops, owner manned general stores, handcarts and pavement vends etc. comprise the unorganized retailing. People are purchasing their requirements from unorganized retail outlets since ancient times and many still prefer to visit these mom and pop shops due to advantages like personal care, price, location, trust, credit facility etc. But it is being observed that with the emergence of factors like changing lifestyle, increasing purchasing power, growing number of working ladies and double income group families in the society, more and more people in urban areas are shifting their preference to purchase their requirements from organized retail stores. Consequently small retailers in the unorganized sector are finding it difficult to hold on to their loyal customer base, let alone attract new ones. Ensuring store loyalty has thus become very important for the survival of these retailers. It is also the key determinant for the success of the retail stores belonging to the organized sector. The concept of store loyalty is originally derived from the concept of brand loyalty which refers to the tendency to repeat purchase at the same store. Osman (1993) in his review paper concluded that at the store level, store loyalty is linked to the urge to make repeated purchases from the same store for similar or other products.

Store loyalty leads to assured patronage, constancy and longevity of business, effective competitive advantage and an entry barrier which does not wear away easily (Kaul, 2006). Loyalty is also found to bring in an increased resistance to competitive messages, lower selling costs, decreased price sensitivity and favorable word-of-mouth

(Dick and Basu, 1994; Zeithaml, 2000). Store loyalty has of late assumed paramount significance in the backdrop of the prevailing economic slump sweeping across the world. There are several determinants and dimensions of loyalty which merit attention. Store loyalty is influenced by a number of factors viz. store image, brand image, brand loyalty, variety, product quality, service quality, customer satisfaction, convenient buying, interaction quality, interpersonal relationships, credit facility/payment flexibility, passage of time, services delivered at home, price, trust and demographics. Several authors have worked on the relation between store loyalty and sustainable financial viability of a firm (Reichheld, 1993, 2000; Heskett, Jones, Loveman, Sasser and Schlesinger, 1994; Jones and Sasser, 1995) but remarkably, no consensus has emerged over the drivers or determinants of customer loyalty. It was premised by Heskett, Jones, Loveman, Sasser and Schlesinger (1994) that customer satisfaction was the driver of customer loyalty, while Jones and Sasser (1995) found that customer satisfaction does not necessarily lead to loyalty and rather brand image and product quality were more important drivers of customer loyalty. It was established by Clotey, Collier and Stodnik (2011) that product quality, service quality and level of brand image are all positively associated with customer loyalty. Most consumers exhibit multiple store patronage which may differ across store types. Loyal shoppers shopping exclusively at a single store are extremely hard to find and practically negligible (Cunningham, 1961).

3.2 Objectives of the study

Retail industry in India has been going through a boom period for the last few years. This boom is despite the fact that government has only recently allowed FDI in this sector for multi-brand retailers. A revolution is under way at present in the store-dominated world of retailing both in developing as well as developed economies. The Indian retail sector has caught the world's imagination in the last few years. It topped the list of most attractive retail destination for consecutive three years from 2004 to 2007, ranked second in 2008 and ranked fourth in 2011 from among thirty emergent markets as reported by A. T. Kearney, the well-known international management consultancy firm (A.T. Kearney, GRDI, 2011). Indian cities are witnessing a paradigm

shift from traditional forms of retailing into a modern organized sector. The number of operational malls is expected to go up sharply on the back of major retail developments even in tier II and tier III cities in India. Retail industry in India is being hailed as one of the pillars of the Indian economy with a contribution of 22% to the national GDP and employing 8% of the total work force, which is next only to agriculture as can be found in the report on the Indian retail sector published by FICCI (FICCI Project, 2012). According to the global firms AC Nielsen and KSA Techno pack, India has the highest shop density in the world ("No FDI in Retail", Business Standard, Feb. 21, 2014). The explosion of retail outlets in the more busy streets of Indian villages, towns and cities is a visible testimony to this. Given the ever-increasing number of players jumping into the retail arena today, survival may prove to be extremely difficult especially in the light of the slowing economy. Then, there is also the case of small retailers who are expected to be adversely affected by an escalation of competition from corporate retail and FDI, which may hasten their decline (Kalhan, 2007). Customer loyalty may prove to be the ultimate weapon to fight competition and ensure survival in the long run. The retail industry in India is still dominated by the unorganized sector having a share of more than 90% of the total volume. But share of the organized sector is increasing steadily with large domestic players entering the industry bringing about a proliferation of shopping malls, supermarkets and other formats of organized retail not only in the metros but also in smaller cities and towns. There is tremendous international pressure on India for liberalizing its retail policy for allowing FDI in multi-brand retail. Global retail giants like Wal-Mart, Metro, Tesco and Carrefour have been pressurizing the Indian government to allow FDI in multi-brand retail business. Developed countries are witnessing saturated market scenario which is forcing top multinational retailers to penetrate into emerging markets like Brazil, Russia, India and China. The retail sector in India is largely out of bounds for the foreign players to protect the interests of millions of small store owners and full FDI is allowed only in single brand retail and wholesale business with stringent conditions attached while FDI in multi-brand retail can go up to the level of 51%. All the efforts of the previous government to open the multi-brand retail to FDI bore little fruit (only few states have agreed to allow FDI in multi-brand retail so

far) due to vehement opposition from various quarters and resistance from small traders who are worried about the impact of large-scale organized retail on their businesses.

A loyal customer would be tolerant of service problems of the particular store he patronizes over other stores and adjust any incongruity that arises from dissatisfaction by highlighting the attraction of other attributes and downplaying the importance of the store's weaknesses. But this holds true up to a threshold limit and a retailer should be aware that serious dissonance would dislodge loyalty and make the consumer transfer his loyalty to a rival store. Dissonance might be a result of a decline in the performance of the store or a big mismatch between the changing expectations of the customer and the offerings by the store.

The present study aims to explore the various determinants of store loyalty and their relative importance in recruitment and retention of customers. Store owners need to understand the factors that motivate customers to come back to a store again and again and bridge the gaps in ensuring repeat purchase by the target customers. The findings of the survey would point towards more effective strategy formulation by the retailers taking into account the various important dimensions mentioned above and help in the long term retention of the customers assuring them of continued patronage and share of wallet. The broad objective of the study is to develop a relationship framework by considering store loyalty as the dependent variable and a set of independent variables such as customer satisfaction, trust, value for money, demographics, shopping convenience, social class, ambience, availability, display etc. in the context of the consumers drawn mainly from the four metros: New Delhi, Mumbai, Kolkata, and Chennai. Some tier I, II and III cities from different parts of the country have been considered to make the study more representative and lend it a pan-Indian character that included Bangalore, Hyderabad, Pune, Ahmedabad, Bhubaneswar, Ranchi, Guwahati, Jodhpur, Siliguri and Darjeeling. The study has included all the retail store formats in the organized sector comprising of the established retail chains in the market and the various traditional formats in the unorganized retail sector.

In this backdrop the objectives of the study are as listed below:

1. To identify various antecedents of store loyalty and develop scales to measure these antecedents
2. To identify important reason behind store patronage and to assess the behavioral pattern of purchases including the share of wallet
3. To examine the store patronage behavior of customers and to trace the behavior of customers drawn from various cities (including the four metros and some tier I, II and III cities)
4. To investigate whether the shoppers have multiple store loyalty and to probe reasons behind such behavior
5. To explore the relative influence of various facets of customer patronage behavior leading to store loyalty
6. To assess the psychometric performance of various scales by employing a range of tests employed in psychometric literature
7. To make a comparative analysis of store patronage behavior and its antecedent variables for assessing attitude of shoppers towards organized as well as unorganized retail
8. To integrate the findings as stated above and suggest strategies to retain customers

3.3 Rationale of the study

This study is aimed at contributing to the extant literature on customer loyalty from the perspective of the retail segment. Although academic research on loyalty has received considerable attention, it has largely focused on different procedures of measuring the construct and the construct's correlation with customer characteristics (Kahn, Kalwani, and Morrison, 1986). There have been quite a sizeable work on the subject but many of the relevant dimensions have not been considered in those studies especially in the Indian context e.g. availability of credit facility, in-home services etc. Also, though one may find numerous articles on the subject of impact of organized retail on unorganized retail, very few of them dwelt on the issue of comparative store loyalty between these sectors. Consequently there is a scope to contribute by way of considering these attributes in a new study on retail loyalty with an eye to comparative analysis. This would render the proposed study holistic and relatively more complete in its

investigative capacity. Since there is a general perception that the organized retail in India is poised for a quantum jump in volume, strengthened by the belief that it is only a matter of time before Indian retail sector is fully opened to FDI, there is also an imminent need to take up a comparative study on the store loyalty behavior of shoppers with respect to the organized and the unorganized sector. The findings of this study will provide insights for retailers for developing and maintaining effective customer relationship, which could ensure survival and increased profitability in the long run. They could better meet their customers' needs by ensuring the presence of the attributes that delight their customers and eliminating completely or minimizing as far as possible, the negative attributes that dissatisfy and alienate their customers. Finally, the consumer educators, marketing and salespeople and retail professionals could get insights on how to help retailers to initiate and bring about the necessary developments in the store dimensions towards building and fostering a long-term, loyal relationship with their customers.

3.4 Research Questions

Based on the discussions presented above this study proposes to investigate the following questions:

1. Is there any definite relation between consumer trust and continued patronage of a store?
2. What effect does perceived value for money have on the level of customer loyalty?
3. Are demographic variables correlated to store loyalty?
4. Is there any association between perceived locational advantage and store loyalty?
5. Do product assortment and availability of brands influence store loyalty?
6. Do display and ambience have any effect on store loyalty?
7. Does attitude of shoppers vary significantly for organized and unorganized store with respect to various antecedents of store loyalty?

8. Can store loyalty be predicted incorporating a few relevant explanatory variables?
9. Can facets of various explanatory variables be used for clustering respondents into homogeneous groups?

3.5 Methodology

3.5.1 Phase I

A series of focus group interviews was undertaken to identify various factors that consumers consider while selecting a retail store. An initial pool of 36 items was generated through focus group interviews and depth interviews to comprehend various dimensions of store patronage behavior. An exploratory factor analysis was conducted to identify the underlying dimensions consumers consider important based on the structure and pattern of factor loadings.

3.5.2 Phase II

The research intends to quantify the effectiveness of various store attributes and dimensions influencing store loyalty and covers both the organized and unorganized sectors. Thus, it is a comparative study and an attempt to understand behavior of shoppers with regard to these two sectors. The research also makes an attempt to describe the attitudinal behavior of the respondents for their respective purchasing patterns. After identifying the relevant attributes and dimensions of store loyalty and purification of the measurement items, the data for the study were derived from shoppers belonging to a cross section of population using a convenience sample of respondents. This was done using a survey with the help of a structured questionnaire. After identifying the relevant attributes and dimensions of store loyalty and purification of the measurement items, the data for the study were derived from shoppers belonging to a cross section of population using a convenience sample of respondents. This was done using a survey with the help of a structured questionnaire. Due to the vast expanse of the survey area which stretched across cities and towns as distant as Bangalore and Guwahati, the study covered a cross section of respondents based on

the convenience sampling technique. This was done keeping in mind the logistic related constraints of deploying manpower in various cities and towns across India to contact the respondents and collect the data. Moreover, it is often found that in most occasions respondents in general are reluctant to give time to provide responses on multiple choice questionnaires even when it is not very lengthy. The data were mainly collected from the four metros: New Delhi, Mumbai, Kolkata and Chennai. Some tier I, II and III cities from different parts of the country have been considered to make the study more representative and lend it a pan-Indian character that included Bangalore, Hyderabad, Pune, Ahmedabad, Bhubaneswar, Ranchi, Guwahati, Jodhpur, Siliguri and Darjeeling. The study administered questionnaires to 1600 respondents across the various locations. Out of 454 responses obtained through internet, direct mail and personally administered questionnaire, 43 responses were rejected due to errors of omission and commission bringing down the total figure of valid responses to 411. In addition to meeting the respondents and directly administering the questionnaire either personally or through qualified representatives, it was also emailed to them. Further, in many cases the questionnaires have also been sent through post attaching stamped self-addressed envelopes. It took almost one year, the period beginning March 2013 to January 2014, to gather all the responses as in many cases reminders had to be sent to generate responses. 212 valid responses have been gathered though direct administration and the corresponding figures for email and post are 156 and 43 respectively. Scale items were developed from reviewing prior literature and were further refined by conducting reliability and validity tests frequently applied in marketing and psychometric research conducted in this area.

3.5.3 Sample Description and Psychometric Performance of Scales

In addition to employing factor analysis and multiple regression, other parametric and non-parametric statistical tools were also employed depending on the nature of the data. A brief description of the profile of respondents is given in Table 3.1.

Table- 3.1
Demographic Profile of Sample Respondents

| Age Group | Frequency | Percentage |
|-----------------------------------|-----------|------------|
| Below 30Years | 59 | 14.4 |
| 31 to 40 Years | 146 | 35.5 |
| 41 to 50 Years | 139 | 33.8 |
| Above 50 Years | 67 | 16.3 |
| Occupation | | |
| Executives | 209 | 50.9 |
| Non-Executives | 106 | 25.8 |
| Businessmen with: | | |
| No of Employees 1 to 9 | 65 | 15.8 |
| No of Employees 10+ | 31 | 7.5 |
| Education | | |
| Below Graduate | 04 | 01.0 |
| Graduate | 108 | 26.3 |
| Post-Graduate | 299 | 72.7 |
| Net Income | | |
| Less than ₹ 30,000 | 61 | 14.8 |
| ₹ 30,001 to ₹ 60,000 | 87 | 21.2 |
| ₹ 60,001 to ₹ 90,000 | 74 | 18.0 |
| ₹ 90,001 to ₹ 1,20,000 | 116 | 28.0 |
| ₹ 1,20,001 to ₹ 1,50,000 | 57 | 13.9 |
| ₹ 1,50,0001 + | 16 | 3.9 |
| Gender (Chief Wage Earner) | | |
| Male | 370 | 90.0 |
| Female | 41 | 10.0 |
| Marital status | | |
| Married | 357 | 86.9 |
| Single | 54 | 13.1 |

The data have been collected mainly from respondents belonging to A1A2 class of the social stratification scale as developed by Market Research Society of India (MRSI) which is mostly followed by the reserchers doing research with different social classes in India particularly by the marketing research practitioners as well as academicians. In order to understand the profile of the respondents, two important explanatory variables have been considered along with the age and income of sample respondents. The following cross tables demonstrate the pattern of age distribution and income distribution to better understand the profiles of the respondents included in this study. It is revealed that the relatively young shoppers exhibit lesser degree of trust towards organized stores. The variability in the response pattern is more or less same for the

shoppers across different age categories. The 95% confidence interval for mean depicts the lower and upper bounds of the responses obtained. The same pattern is observed in the case of the unorganized segment.

Table -3.2
Cross Table: Trust and Age (Organized)

| Trust of Org | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | |
|---------------|-----|-------|----------------|------------|----------------------------------|-------------|
| | | | | | Lower Bound | Upper Bound |
| <30 Years | 59 | 12.39 | 2.150 | .280 | 11.83 | 12.95 |
| 31 – 40 Years | 146 | 12.78 | 2.405 | .199 | 12.39 | 13.17 |
| 31 – 40 Years | 139 | 13.05 | 2.269 | .192 | 12.67 | 13.43 |
| 51 + Years | 67 | 13.09 | 2.598 | .317 | 12.46 | 13.72 |

It is observed from the above table that the mean is lowest for respondents who are below the age of 30 years and increases as the age goes up which indicates that lower the age of the respondents, lower would be their trust for the organized store. The plausible reason for this could be the unwillingness or lack of interest of relatively aged people to try new stores or get attracted by new features incorporated by the established ones. The lower and upper bounds are also within acceptable range at 95% confidence interval for mean which corroborates this observation.

Table -3.3
Cross Table: Trust and Age (Unorganized)

| Trust of Unorganized | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | |
|----------------------|-----|-------|----------------|------------|----------------------------------|-------------|
| | | | | | Lower Bound | Upper Bound |
| <30 Years | 59 | 11.86 | 1.889 | .246 | 11.37 | 12.36 |
| 31 – 40 Years | 146 | 12.34 | 1.888 | .156 | 12.03 | 12.65 |
| 31 – 40 Years | 139 | 12.55 | 2.263 | .192 | 12.17 | 12.93 |
| 51 + Years | 67 | 12.70 | 2.412 | .295 | 12.11 | 13.29 |

A look at the above table shows that the mean of trust scale is lowest for respondents who are below the age of 30 years and increases as the age goes up which indicates that lower the age of the respondents, lower would be their trust for the unorganized store. The plausible reason for this is the same as in the case of organized segment. The lower and upper bounds are also within acceptable range at 95% confidence interval for mean which corroborates this observation.

Table -3.4
Cross Table: Trust and Income (Organized)

| Trust of Org | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | |
|-----------------|------------|--------------|----------------|-------------|----------------------------------|--------------|
| | | | | | Lower Bound | Upper Bound |
| Up to ₹ 30000 | 61 | 11.05 | 1.953 | .250 | 10.55 | 11.55 |
| ₹30001- ₹60000 | 87 | 12.86 | 2.200 | .236 | 12.39 | 13.33 |
| ₹60001-₹90000 | 74 | 12.73 | 2.555 | .297 | 12.14 | 13.32 |
| ₹90001-120000 | 116 | 13.29 | 2.143 | .199 | 12.90 | 13.69 |
| ₹120001-₹150000 | 57 | 13.93 | 2.290 | .303 | 13.32 | 14.54 |
| >₹150001- | 16 | 13.56 | 1.750 | .438 | 12.63 | 14.50 |
| Total | 411 | 12.87 | 2.361 | .116 | 12.64 | 13.10 |

It is observed from the above table that the mean of trust scale is lowest for respondents whose income is up to ₹ 30,000 and increases as the income goes up which indicates that lower the income of the respondents, lower would be their trust for the organized store. The probable reason for this could be the aversion of customers in taking risk in making purchase decisions as well as their price sensitiveness. However, for people having income above ₹ 150,000 there is slight reversal in this trend as the trust goes down a bit. The lower and upper bounds are also within acceptable range at 95% confidence interval for mean which corroborates this observation.

Table -3.5
Cross Table: Trust and Income (Unorganized)

| Trust of Unorganized | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean. | |
|----------------------|------------|--------------|----------------|-------------|-----------------------------------|--------------|
| | | | | | Lower Bound | Upper Bound |
| Up to ₹ 30000 | 61 | 11.85 | 1.537 | .197 | 11.46 | 12.25 |
| ₹30001- ₹60000 | 87 | 11.95 | 1.982 | .212 | 11.53 | 12.38 |
| ₹60001-₹90000 | 74 | 12.27 | 2.109 | .245 | 11.78 | 12.76 |
| ₹90001-120000 | 116 | 12.49 | 2.015 | .187 | 12.12 | 12.86 |
| ₹120001-₹150000 | 57 | 13.33 | 2.573 | .341 | 12.65 | 14.02 |
| >₹150001- | 16 | 13.56 | 2.449 | .612 | 12.26 | 14.87 |
| Total | 411 | 12.40 | 2.119 | .105 | 12.20 | 12.61 |

It is observed from the above table that the mean of trust scale is lowest for respondents whose income is up to ₹ 30,000 and increases as the income goes up which indicates that lower the income of the respondents, lower would be their trust for the unorganized store. The likely explanation for this could be the unwillingness or lack of interest of relatively aged people to try new stores or get attracted by new features incorporated by the established ones. The lower and upper bounds are also within acceptable range at 95% confidence interval for mean which corroborates this observation.

A Paired Sample 't' Test was conducted to comprehend the sample characteristics. The findings of paired sample statistics are presented in Tables 3.6, 3.7 and 3.8. It is revealed that the trust towards unorganized sector, perceived satisfaction and store loyalty are higher than the corresponding values for the unorganized sector. For all other variables, the organized sector performs better compared to the unorganized counterpart.

Table-3.6
Paired Samples Statistics

| Paired Variables | Mean | N | Std. Deviation | Std. Error Mean |
|------------------------|-------|-----|----------------|-----------------|
| Pair 1 Trust of Org | 12.40 | 411 | 2.361 | .116 |
| Unorg. Trust | 12.87 | 411 | 2.119 | .105 |
| Pair 2 Value for money | 12.44 | 411 | 2.227 | .110 |
| Unorg. VM | 9.91 | 411 | 1.876 | .093 |
| Pair 3 Availability | 11.48 | 411 | 2.116 | .104 |
| Unorg. Availability | 10.62 | 411 | 2.128 | .105 |
| Pair 4 Display | 11.45 | 411 | 2.768 | .137 |
| Unorg. Display | 9.41 | 411 | 1.710 | .084 |
| Pair 5 Ambience | 11.43 | 411 | 2.836 | .140 |
| Unorg. Ambience | 10.08 | 411 | 3.190 | .157 |
| Pair 6 Satisfaction | 9.46 | 411 | 1.490 | .074 |
| Unorg.Satisfaction | 9.69 | 411 | 1.460 | .072 |
| Pair 7 Store Loyalty | 13.37 | 411 | 2.181 | .108 |
| Unorg. Store Loy | 14.55 | 411 | 2.237 | .110 |

Table-3.7
Paired Samples Correlations

| Paired Variables | N | Correlation | Sig. |
|---|-----|-------------|------|
| Pair 1 Trust of Org & Unorg. Trust | 411 | .220 | .000 |
| Pair 2 Value for money & Unorg. VM | 411 | .285 | .000 |
| Pair 3 Availability & Unorg. Availability | 411 | .188 | .000 |
| Pair 4 Display & Unorg. Display | 411 | .165 | .001 |
| Pair 5 Ambience & Unorg. Ambience | 411 | .185 | .000 |
| Pair 6 Satisfaction & Unorg.Satisfaction | 411 | .027 | .582 |
| Pair 7 Store Loyalty & Unorg. Store Loy | 411 | .489 | .000 |

The pair wise correlations are all significant except satisfaction which is higher for the unorganized retail. Statistically significant differences have been observed for all the variables included in the study. However, the unorganized sector is performing well in terms of trust, store loyalty and perceived satisfaction.

Table-3.8

Paired Samples Test

| Paired Variables | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|--------------------|----------------|-----------------|---|-------|--------|-----|-----------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Pair 1 Trust of Org - Unorg. Trust | -0.465 | 2.803 | .138 | .193 | .737 | -3.361 | 410 | .001 |
| Pair 2 Value for money - Unorg. VM | 2.526 | 2.469 | .122 | 2.286 | 2.765 | 20.741 | 410 | .000 |
| Pair 3 Availability - Unorg. Availability | .861 | 2.705 | .133 | .599 | 1.124 | 6.456 | 410 | .000 |
| Pair 4 Display - Unorg. Display | 2.044 | 3.005 | .148 | 1.752 | 2.335 | 13.790 | 410 | .000 |
| Pair 5 Ambience - Unorg. Ambience | 1.350 | 3.060 | .151 | 1.054 | 1.647 | 8.946 | 410 | .000 |
| Pair 6 Satisfaction - Unorg.Satisfaction | -.226 | 2.058 | .101 | .027 | .426 | 2.229 | 410 | .026 |
| Pair 7 Store Loyalty - Unorg. StoreLoy | -1.187 | 2.821 | .139 | .914 | 1.461 | -8.533 | 410 | .000 |

To establish scale dimensionality, an exploratory factor analysis with varimax rotation was carried out initially to extract underlying dimensions keeping the Eigen value ≥ 1.00 using a principal component method. The five dimensions were extracted and the cumulative percentage of variance explained was slightly greater than 61%. The goodness of fit measured by chi square was found to be significant. However, the predictive validity as measured by factor analysis and multiple regression demonstrate that the dependent variable, store loyalty, can be predicted by the explanatory variables considered in this study. The goodness of fit of factor analysis measured by KMO and Bartlett's Test is significant beyond $p < 0.000$ and the percentage of variance is more than 61% which is quite satisfactory considering the diverse constructs included in predicting the store loyalty behavior of shoppers.

Table -3.9
KMO and Bartlett's Test

| | |
|--|--------------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .864 |
| Bartlett's Test of Sphericity | Approx. Chi-Square |
| | 6873.075 |
| | df |
| | 210 |
| | Sig. |
| | .000 |

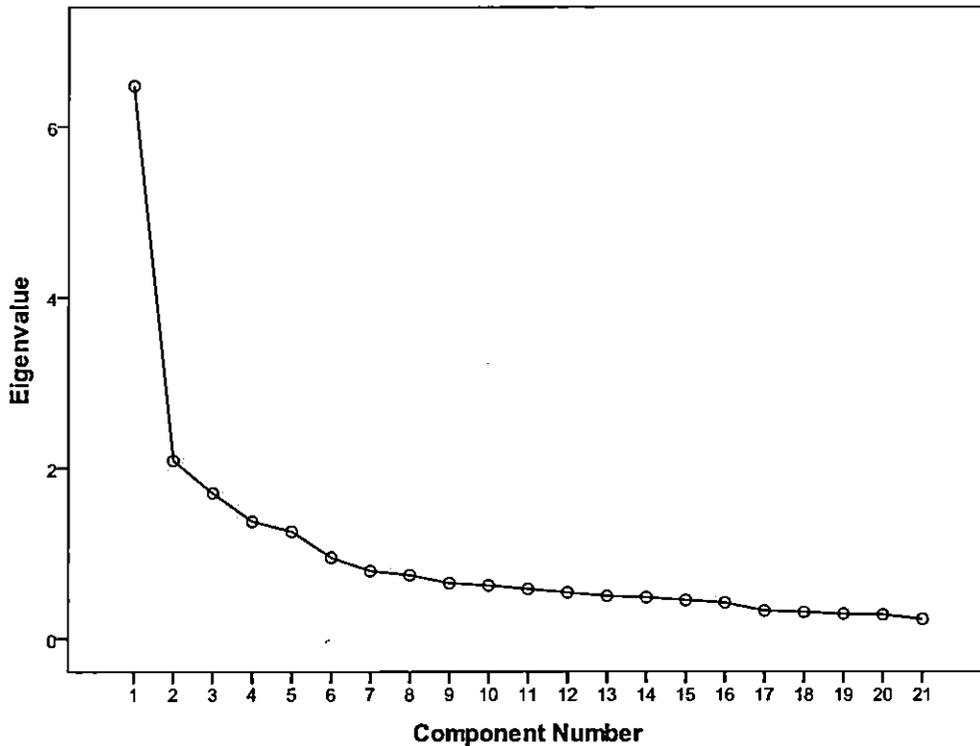
Table- 3.10
Total Variance Explained

| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.471 | 30.815 | 30.815 | 6.471 | 30.815 | 30.815 | 3.386 | 16.125 | 16.125 |
| 2 | 2.085 | 9.926 | 40.742 | 2.085 | 9.926 | 40.742 | 2.673 | 12.730 | 28.855 |
| 3 | 1.705 | 8.120 | 48.862 | 1.705 | 8.120 | 48.862 | 2.663 | 12.683 | 41.538 |
| 4 | 1.369 | 6.518 | 55.380 | 1.369 | 6.518 | 55.380 | 2.364 | 11.259 | 52.797 |
| 5 | 1.252 | 5.964 | 61.344 | 1.252 | 5.964 | 61.344 | 1.795 | 8.547 | 61.344 |

Note: Based on Eigen value > 1

The component matrix reveals that display, ambience and value for money loaded with factor 1 and value for money and availability fused into a single latent dimension making it very difficult to interpret since these variables were not supposed to load with a single latent component. The same observation could be made for value for money and store loyalty. These factors emerged as hybrid factors which cannot be meaningfully interpreted. The display, ambience and value for money may be clubbed into a single variable which can be labeled as attractiveness of the store, but the second hybrid factor cannot be combined into a single dimension as they are unrelated to each other.

The exploratory factor analysis extracted five factor solution keeping in view the eigen value factors > 1.00 which did not match with the results expected. In view of this outcome, the number of factors had to be fixed considering the confirmatory factor analysis output with a forced seven factor solution. The factor output is found to be satisfactory since the factor loadings are in conformity with the constructs considered in this study.

Figure- 3.1**Scree Plot**

Note: Eigen value > 1

Table -3.11
Rotated Component Matrix

| | Component | | | | |
|-----------|-----------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 |
| TRUST1 | .037 | .120 | .001 | .796 | .078 |
| TRUST2 | .093 | .177 | -.023 | .856 | .036 |
| TRUST3 | .105 | .218 | .015 | .733 | .024 |
| SLOYALTY1 | .119 | .700 | .088 | .119 | .122 |
| SLOYALTY2 | .074 | .706 | .161 | .115 | .118 |
| SLOYALTY3 | .074 | .696 | .095 | .125 | .138 |
| VALUE1 | .568 | -.016 | .467 | .256 | .087 |
| VALUE2 | .583 | -.001 | .428 | .298 | .074 |
| VALUE3 | .479 | .064 | .455 | .363 | .057 |
| AVAIL1 | .134 | .234 | .750 | -.060 | .023 |
| AVAIL2 | .174 | .210 | .820 | -.009 | .041 |
| AVAIL3 | .145 | .155 | .750 | -.034 | .064 |
| SAT1 | -.005 | .097 | .075 | .070 | .715 |
| SAT2 | .059 | .098 | .063 | .034 | .831 |
| SAT3 | .093 | .075 | -.008 | .020 | .711 |
| AMB1 | .454 | .554 | .218 | .151 | -.017 |
| AMB2 | .447 | .536 | .307 | .183 | -.019 |
| AMB3 | .398 | .504 | .191 | .246 | -.022 |
| DIS1 | .752 | .216 | .098 | -.025 | .062 |
| DIS2 | .840 | .180 | .085 | -.019 | .049 |
| DIS3 | .729 | .171 | .100 | .057 | .045 |

Note: Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 7 iterations, Eigen value>1

Table- 3.12
Total Variance Explained

| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.471 | 30.815 | 30.815 | 6.471 | 30.815 | 30.815 | 2.276 | 10.840 | 10.840 |
| 2 | 2.085 | 9.926 | 40.742 | 2.085 | 9.926 | 40.742 | 2.260 | 10.761 | 21.601 |
| 3 | 1.705 | 8.120 | 48.862 | 1.705 | 8.120 | 48.862 | 2.193 | 10.443 | 32.044 |
| 4 | 1.369 | 6.518 | 55.380 | 1.369 | 6.518 | 55.380 | 2.190 | 10.427 | 42.471 |
| 5 | 1.252 | 5.964 | 61.344 | 1.252 | 5.964 | 61.344 | 1.993 | 9.492 | 51.963 |
| 6 | .947 | 4.510 | 65.853 | .947 | 4.510 | 65.853 | 1.926 | 9.172 | 61.135 |
| 7 | .789 | 3.757 | 69.610 | .789 | 3.757 | 69.610 | 1.780 | 8.475 | 69.610 |

Note: Forced Seven Factor Solution, Extraction Method: Principal Component Analysis

Accordingly, a confirmatory factor analysis was conducted with seven underlying dimensions which could reveal seven latent factors with no hybrid factors or misloadings and split loadings. The forced factor solutions extracted almost 70 percent variation in the original data set which can be considered as quite satisfactory. The goodness of fit measured by KMO Barlett's Test of Sphericity was found to be highly significant.

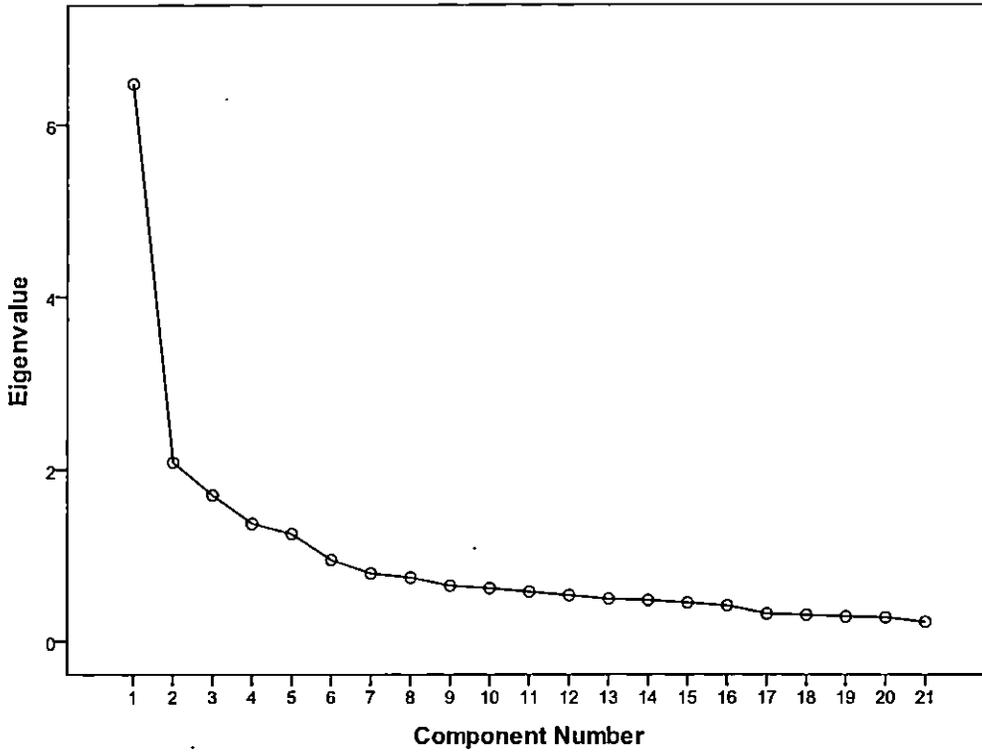
Table -3.13
Rotated Component Matrix

| | Component | | | | | | |
|-----------|-----------|-------|-------|-------|-------|-------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| TRUST1 | .059 | .053 | -.006 | .852 | .003 | .122 | .090 |
| TRUST2 | .069 | -.023 | .122 | .871 | .126 | .101 | .032 |
| TRUST3 | .019 | -.046 | .234 | .695 | .221 | .110 | .010 |
| SLOYALTY1 | .161 | .098 | .069 | .124 | .766 | .108 | .079 |
| SLOYALTY2 | .064 | .128 | .147 | .085 | .794 | .122 | .073 |
| SLOYALTY3 | .051 | .092 | .035 | .116 | .650 | .297 | .127 |
| VALUE1 | .242 | .219 | .783 | .080 | .076 | .138 | .061 |
| VALUE2 | .238 | .165 | .813 | .108 | .099 | .152 | .047 |
| VALUE3 | .187 | .239 | .702 | .210 | .131 | .156 | .034 |
| AVAIL1 | .085 | .756 | .159 | -.040 | .114 | .213 | .034 |
| AVAIL2 | .155 | .838 | .192 | .026 | .126 | .126 | .040 |
| AVAIL3 | .139 | .773 | .162 | .002 | .084 | .087 | .063 |
| SAT1 | .101 | .149 | -.086 | .137 | .106 | -.092 | .707 |
| SAT2 | .065 | .058 | .071 | .035 | .143 | -.043 | .820 |
| SAT3 | -.053 | -.084 | .134 | -.043 | -.004 | .245 | .739 |
| AMB1 | .254 | .177 | .168 | .119 | .233 | .746 | .038 |
| AMB2 | .265 | .282 | .163 | .167 | .206 | .724 | .036 |
| AMB3 | .217 | .142 | .194 | .209 | .253 | .620 | .017 |
| DIS1 | .737 | .126 | .195 | .012 | .107 | .233 | .061 |
| DIS2 | .854 | .125 | .219 | .031 | .102 | .161 | .038 |
| DIS3 | .751 | .146 | .180 | .113 | .087 | .149 | .037 |

Note: Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations, Forced Seven Factor Solution

Figure- 3.2

Scree Plot



Note: Eigen value > 1

The reliability measures amply demonstrate internal consistency of the measures employed to quantify various antecedents of store loyalty. Despite a smaller number of items included in each scale, the reliability measures are quite acceptable. The reliability coefficient of overall satisfaction was found to be quite low in comparison to the other measures employed in this regard. The initial pool of items for the variables was as under (Table 3.14):

Table- 3.14
Initial Pool of Items

| Construct | No. of Items |
|------------------------|---------------------|
| Trust | 5 |
| Loyalty | 5 |
| Value for Money | 5 |
| Availability | 6 |
| Satisfaction | 5 |
| Ambience | 5 |
| Display | 5 |

While developing the scale items, a wide body of relevant literature was thoroughly considered to select the variables that influence the store loyalty behavior of shoppers. A plethora of scales are available in literature in this field which created problem in including the antecedent variables. A preliminary sample (n=23) was selected based on convenience and the respondents were requested to give their views on the antecedent variables that influence store choice behavior. After scrutinizing the responses and their theoretical premise, the study considered six most important variables based on the response of a relatively small sample of respondents. In an endeavor to reduce the number of items to a manageable set, most frequently spoken variables have been considered for final selection of items. However, to purify the variables included initially, a pilot survey was conducted using a student sample doing their BBA program. The most popular method is the Item to Total Correlation which is a measure of the association between the item score and the total score that purports to measure a particular dimension. Theoretically, the item which is measuring a particular construct should have significant correlation with the total score since they are measuring the same construct. Initially the study included 36 items to measure seven constructs which were reduced to 21 items based on the Item to Total Correlation as well as Item to Item Correlation. The Item to Item Correlations that are significant and high have been retained for final analyses. In order to keep the questionnaire short and easy to

comprehend, only three items were kept for measuring the constructs that were retained for finalizing the purified questionnaire.

The purified questionnaire was also judged by (n=4) experts who are familiar with the retail sector having good publications in national and international journals. The experts' opinions were incorporated in the final questionnaire keeping in view their observations regarding the sequence, order, layout and question formats.

Draft Questionnaire

1. Your Age:
Below 20 years 21-to-30 years 31-to-40 years 41-to-50 years Above 50 years
2. Your Occupation
If employed then, If unemployed then,

| | |
|---------------------------------------|----------------------------------|
| <u>Service</u> | |
| Executive <input type="radio"/> | Student <input type="radio"/> |
| Non Executive <input type="radio"/> | House Wife <input type="radio"/> |
| <u>Business</u> <input type="radio"/> | |
3. Your Education: Below Graduation Graduate Post Graduate
4. Your Net Income from all sources :
Up-to- 15,000 15,001-to-30,000 30001-to-45000 45001-to-60000 60001-to-75,000 Above 75,000
5. Your Gender: Male Female
6. You are: Single Married
7. Where do you shop from? Supermarket(s)/Organized Store(s) Yes No Small Stores Yes No
8. Do you shop from multiple stores? Yes No
9. What is your average monthly shopping budget?
Below 5000 5001-to-15000 15001-to-25000 25001-to-35000 35001-to-45000 Above 45000
10. What percent of your shopping budget do you spend in Supermarket(s)/Organized Store(s)?
Up to 25 % 26-to-50 51-to-75 76-to100
11. Please specify your response on the statements given below when you shop from Organized Store(s):

| | Very Strongly Agree | Strongly Agree | Agree | Disagree | Strongly Disagree | Very Strongly Disagree |
|---|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| TRUST | | | | | | |
| Store X gives me a feeling of confidence | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I have faith in store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is honest in its dealing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is a good store | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is highly reputed | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| AMBIENCE | | | | | | |
| Store X has nice atmosphere | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is clean, tidy and modern looking | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X looks bright and attractive | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X provides spacious shopping | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is pleasant to shop in | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

VALUE FOR MONEY

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| The merchandize sold in store X is a good value for money | <input type="radio"/> |
| Only high quality products are sold in store X at better price | <input type="radio"/> |
| I get more in store X for the same amount spent in other stores | <input type="radio"/> |
| Store X offers better Discounts/Promotional Offers /Benefits | <input type="radio"/> |
| Store X offer low prices | <input type="radio"/> |

DISPLAY

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Store X has very attractive merchandize display value for money | <input type="radio"/> |
| Display in Store X makes it very convenient to locate items I want to purchase | <input type="radio"/> |
| Store X allocates proportionate display for different kinds of products | <input type="radio"/> |
| Display areas are brightly lit | <input type="radio"/> |
| Store X has well spaced merchandize | <input type="radio"/> |

SATISFACTION

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Store X understand my needs better than other stores | <input type="radio"/> |
| Store X offers quick billing service | <input type="radio"/> |
| Store X has friendly staff who are always willing to help | <input type="radio"/> |
| Store X has easy return policy | <input type="radio"/> |
| Overall, I am very satisfied with Store X | <input type="radio"/> |

AVAILABILITY

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| A good selection of products was present in store X | <input type="radio"/> |
| Advertised merchandize is in stock in store X | <input type="radio"/> |
| Store X has stock of some products which are not available in other stores | <input type="radio"/> |
| I have never come back from store X without getting the product I was looking for | <input type="radio"/> |
| Store X offers better variety | <input type="radio"/> |
| Store X offers better assortment | <input type="radio"/> |

STORE LOYALTY

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I consider myself loyal to store X | <input type="radio"/> |
| Store X comes to my mind first whenever I intend to purchase something | <input type="radio"/> |
| I repeat purchase from store X | <input type="radio"/> |
| I only visit store X for all my purchases available in other stores | <input type="radio"/> |
| I do not visit any store other than store X | <input type="radio"/> |

12. Please indicate whether the following factors are important when you shop from retail Store(s)?

Fast Service Yes No Empathy Yes No Location Yes No

13. Please specify your response on the statements given below when you shop from Unorganized Store(s):

| | Very Strongly Agree | Strongly Agree | Agree | Disagree | Strongly Disagree | Very Strongly Disagree |
|--|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| TRUST | | | | | | |
| Store X gives me a feeling of confidence | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I have faith in store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is honest in its dealing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is a good store | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is highly reputed | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| AMBIENCE | | | | | | |
| Store X has nice atmosphere | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is clean, tidy and modern looking | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X looks bright and attractive | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X provides spacious shopping | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is pleasant to shop in | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| VALUE FOR MONEY | | | | | | |
| The merchandize sold in store X is a good value for money | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Only high quality products are sold in store X at better price | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I get more in store X for the same amount spent in other stores | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X offers better Discounts/Promotional Offers /Benefits | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X offer low prices | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| DISPLAY | | | | | | |
| Store X has very attractive merchandize display value for money | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Display in Store X makes it very convenient to locate items I want to purchase | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X allocates proportionate display for different kinds of products | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Display areas are brightly lit | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X has well spaced merchandize | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| SATISFACTION | | | | | | |
| Store X understand my needs better than other stores | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X offers quick billing service | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X has friendly staff who are always willing to help | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X has easy return policy | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Overall, I am very satisfied with Store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| AVAILABILITY | | | | | | |
| A good selection of products was present in store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Advertised merchandize is in stock in store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X has stock of some products which are not | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

available in other stores

- I have never come back from store X without getting the product I was looking for
- Store X offers better variety
- Store X offers better assortment

STORE LOYALTY

- I consider myself loyal to store X
- Store X comes to my mind first whenever I intend to purchase something
- I repeat purchase from store X
- I only visit store X for all my purchases available in other stores
- I do not visit any store other than store X

1. In case you shop from multiple Stores please indicate the reason(s) for the same?

- | | <u>Organized Store</u> | <u>Unorganized Store</u> |
|---------------------------------------|------------------------|--------------------------|
| Better Price | <input type="radio"/> | <input type="radio"/> |
| Specialization | <input type="radio"/> | <input type="radio"/> |
| Proximity | <input type="radio"/> | <input type="radio"/> |
| Different Ambience | <input type="radio"/> | <input type="radio"/> |
| Better Variety | <input type="radio"/> | <input type="radio"/> |
| Parking Space | <input type="radio"/> | <input type="radio"/> |
| Discounts/Promotional Offers/Benefits | <input type="radio"/> | <input type="radio"/> |
| Entertainment Factors | <input type="radio"/> | <input type="radio"/> |
| Better Quality | <input type="radio"/> | <input type="radio"/> |

My Location (Name of the city only):

Table -3.15
Reliability Statistics

| Construct | Cronbach's Alpha | Test Retest Reliability | No. of Items |
|-----------------|------------------|-------------------------|--------------|
| Trust | 0.779 | 0.801 | 3 |
| Loyalty | 0.694 | 0.718 | 3 |
| Value for Money | 0.818 | 0.840 | 3 |
| Availability | 0.792 | 0.815 | 3 |
| Satisfaction | 0.633 | 0.655 | 3 |
| Ambience | 0.807 | 0.827 | 3 |
| Display | 0.805 | 0.826 | 3 |

After conducting Item to Total Correlation it was found that some items had very low correlation with the total item score which compelled reduction of a few items from the store loyalty as well as ambience scale. To keep parity in the measures employed as well as the length of the questionnaire, 3 items in each category were retained based on

the magnitude of correlation between each item and the total score for each category of measurement. The alpha values and test-retest reliability using a student sample (n=62) pursuing BBA program are found to be satisfactory despite smaller number of items in the scale employed.

Table -3.16
Item to Total Correlation

| Variables | Correlation | Item to Item Correlation | | |
|------------------|-------------|--------------------------|-------------|-------------|
| | | Scale Item1 | Scale Item2 | Scale Item3 |
| Trust1 | .807 | 1 | .678 | .414 |
| Trust2 | .872 | .678 | 1 | .570 |
| Trust3 | .819 | .414 | .570** | 1 |
| Store Loyalty1 | .813 | 1 | .501** | .384** |
| Store Loyalty2 | .789 | .501** | 1 | .451** |
| Store Loyalty3 | .769 | .384** | .451** | 1 |
| Value For Money1 | .852 | 1 | .698** | .550** |
| Value For Money2 | .873 | .698** | 1 | .598** |
| Value For Money3 | .855 | .550** | .598** | 1 |
| Availability1 | .813 | 1 | .635** | .452** |
| Availability2 | .867 | .635** | 1 | .616 |
| Availability3 | .819 | .452** | .616 | 1 |
| Satisfaction1 | .739 | 1 | .450** | .259** |
| Satisfaction2 | .772 | .450 | 1 | .434 |
| Satisfaction3 | .746 | .259** | .434 | 1 |
| Ambience1 | .812** | 1 | .694** | .517** |
| Ambience2 | .866 | .694** | 1 | .553** |
| Ambience3 | .850 | .517** | .553** | 1 |
| Display1 | .811 | 1 | .662** | .440** |
| Display2 | .808** | .662 | 1 | .647 |
| Display3 | .880** | .440** | .647 | 1 |

After establishing scale reliability and dimensionality, the predictive validity was established by employing a multiple regression analysis keeping all the explanatory variables to relate the store loyalty behavior of the urban shoppers.

Table -3.17

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .605 ^a | .366 | .361 | 1.82806 |

a. Predictors: (Constant), STORETYPE, SAT, TRUST, AVAIL, DIS, VALUE, AMB

Table -3.18

ANOVA^b

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 1570.514 | 7 | 224.359 | 67.137 | .000 ^a |
| | Residual | 2720.240 | 814 | 3.342 | | |
| | Total | 4290.754 | 821 | | | |

a. Predictors: (Constant), STORETYPE, SAT, TRUST, AVAIL, DIS, VALUE, AMB

b. Dependent Variable: SLOYALTY

The R^2 value is found to be 0.366 and the standard error is also quite low. In social science studies researchers are quite often satisfied with statistically significant but low R^2 values since social phenomena are complex and multidimensional and it is very difficult to explain a big amount of variation. Moreover, R^2 gives information about "goodness of fit", not "goodness of prediction"(Pyzdek, 2003). Here, the overall goodness of fit is significant beyond $p < 0.000$ which is quite acceptable. The value for money and display coefficients are not significant though the direction of the coefficient justify the theoretical foundation. In addition to this variable, a dummy variable was incorporated by assigning 1 for organized sector and 0 otherwise. It is revealed that the shoppers display a higher degree of store loyalty for unorganized retail compared to the organized sector. The results of regression analysis establish the predictive or nomological validity of the measures employed in the study.

Table - 3.19
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|-----------|-----------------------------|------------|---------------------------|--------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| TRUST | .096 | .032 | .094 | 2.941 | .003 | .760 | 1.316 |
| VALUE | .045 | .032 | .053 | 1.378 | .169 | .524 | 1.909 |
| AVAIL | .079 | .036 | .075 | 2.205 | .028 | .674 | 1.484 |
| SAT | .216 | .045 | .136 | 4.748 | .000 | .956 | 1.046 |
| AMB | .365 | .030 | .494 | 12.268 | .000 | .481 | 2.080 |
| DIS | .040 | .030 | .049 | 1.326 | .185 | .561 | 1.781 |
| STORETYPE | -1.002 | .158 | -.219 | -6.357 | .000 | .654 | 1.528 |

a. Dependent Variable: SLOYALTY

Note: The DW value is slightly less than the DL value

3.6 Conclusion

In this chapter an effort has been made to establish the scale reliability and validity which is a sine qua non for any scientific measurement. In an attempt to establish the scale reliability, the Cronbach's alpha, the most popularly reported in literature, has been reported. The alpha values are quite high despite a small number of items to measure a particular construct. The higher value of alpha obtained in our study may be due to the fact that the data have been mostly collected from the respondents belonging to A1A2 of the social class as developed by the MRSI (Market Research Society of India) who are sufficiently educated and have the ability to understand the questions given in the questionnaire. The purified questionnaire was evaluated by (n=4) experts who are familiar with the retail sector having good publications in national and international journals. The experts' opinions were incorporated in the final questionnaire keeping in view their observations regarding the sequence, order, layout and question formats.

The questionnaire was diligently administered and the respondents were explained about the purpose of the study for which the data on multiple items were sought from them. Considering the background of the respondents, the factor and reliability coefficients of the constructs are found to be quite satisfactory. Since the data are reliable and valid, the descriptive statistics has been discussed in the next chapter based on the demographic profiles of the respondents vis a vis their place of residence. As already mentioned, the respondents have been drawn from the four metros and some tier I, II and III cities from different parts of the country have also been considered to broaden the ambit of the study. Responses have been obtained through internet, direct mail and personally administered questionnaire. Some responses were rejected due to errors of omission and commission. Utmost care has been taken to ensure that the respondents comprehend the questionnaire properly and provide the appropriate answers so that the outcome of the data is unbiased and accurate as far as possible. Scale items have been developed from reviewing prior literature and were further refined by conducting reliability and validity tests frequently applied in marketing and psychometric research conducted in this area.

It is revealed that the relatively young shoppers exhibit lesser degree of trust towards organized stores. Similar result has been expressed in case of unorganized retail too. The variability in the response pattern is more or less same for the shoppers across various age categories. It is observed that lower the age of the respondents, lower would be their trust for the organized store and lower the income of the respondents, lower would be their trust for the organized store. Many such observations have been reported in this chapter.

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CHAPTER-IV

STORE LOYALTY BEHAVIOR OF URBAN SHOPPERS: A COMPARATIVE ANALYSIS

4.1 Introduction

Store loyalty plays a very important role in ensuring success in retail business. Hence, the concept of store loyalty has been extensively probed by researches in the past few decades (Anić and Radas, 2006; Ray and Chiagouris, 2009). Thus, not only is strengthening loyalty very important, it is even more imperative during this protracted economic slump the world is passing through because with decrease in income, the ordinary customers are prone to switching their loyalty. Retailers should keep track of these trends not only for the period of recession, but also in the future as it should be apprehended that customer behavior in periods of economic slump may continue in revival period and further (Miller, 2012; Lodes and Buff, 2009).

The study explores the various determinants of store loyalty and their relative importance in recruitment and retention of customers. The findings of the study point towards more effective strategy formulation by the retailers taking into account the various important dimensions which influence store loyalty and help in the long term retention of the customers, assuring them of continued patronage and share of wallet. The broad objective of the study was to develop a relationship framework by considering store loyalty as the dependent variable and a set of independent variables such as store ambience, customer satisfaction, trustworthiness, demographics, location, social status, availability of products, attractiveness of display, perceived value for money etc. mainly in the context of the consumers drawn from the four metros: New Delhi, Mumbai, Kolkata and Chennai. Some tier I, II and III cities from different parts of the country were also considered to make the study more representative and lend it a pan-Indian character that included Bangalore, Hyderabad, Pune, Ahmedabad, Bhubaneswar, Ranchi, Guwahati, Jodhpur, Siliguri and Darjeeling. In addition, the respondents were also asked to indicate whether the location of the store is convenient, the service is fast enough and the store personnel are empathetic toward the shoppers. Gender too has been considered as a relevant variable while conducting the first regression analysis for the unorganized segment. Though location, empathy and fast

service have not been incorporated in the ordinary least square (OLS) model in predicting store loyalty, they have been included in the Binary Logistic Model as because these variables are found to be relevant in distinguishing unorganized store shoppers from the organized store shoppers. Non-inclusion of these variables would have rendered the study amenable to distortion. The study included all the retail store formats in the organized sector comprising the established retail chains in the market and the various traditional formats in the unorganized retail sector.

In the current study, retail shoppers from both the organized as well as the unorganized sectors were surveyed to be aware of the factors that influence satisfaction with their primary store and the encouraging factors that ensure that they continuously patronize this store regardless of being presented with an enticement to shop from some other store. The results reveal that the key factors that contribute to store loyalty and drive shoppers to stay store loyal differ between the two store types. If the retail firms choose to ignore changing consumer behavior patterns, they would not be able to identify elements of the retail mix that could effectively shield their main customers from switching to other stores giving special competitive offers.

Rhee and Bell (2002) contend that although shoppers may patronize a number of stores, by and large they are primarily attached to a particular store from where they make most of their purchases. It is very important for retailers to be the favored store because loyal shoppers spend twice the amount from that preferred store (Knox and Denison, 2000). Roselius (1971) infers that most consumers feel secure to purchase from the preferred store as they try to reduce their perceived risk of dissatisfaction when shopping. On the other hand, as per Taher, Leigh and French (1996), repeat patronage is not sufficient to guarantee customers' feeling of being comfortable with a store or perceived store satisfaction. They state that there are an increasing number of customers who are bigger risk takers, who feel empowered by more information and against promises of receiving better value somewhere else, are often ready to switch from their current favored store. Taher, Leigh and French (1996) along with Sirohi, McLaughlin and Wittink (1998) stress on the importance of systematically searching for

information of the retail patronage experience and then preparing to build store loyalty based on improved services, taking account of their financial implications. Reichheld and Sasser (1990) contend that raising the rate of retention would lead to increased profitability. Rhee and Bell (2002) have demonstrated that stronger the allegiance or loyalty of customers to a particular store, better is the store health. Knox and Denison (2000), while researching on U.K. retailing, emphasized on the importance of creating a retail strategy at the corporate level to build and nurture customer loyalty and thwart shoppers from switching stores.

4.2 Organized and Unorganized Retail: Comparative Description

A closer observation of the descriptive statistics (Tables 4.1 and 4.2) reveals that for organized trust, the dispersion measured by standard deviation is on the higher side for all the age groups. The corresponding value of dispersion is considerably low for the respondents belonging to >30 years and 31-40 years as far as the unorganized retail is concerned. It can be observed that the respondents feel that they get greater value for money by shopping from the unorganized retail in comparison to organized retail. It is not surprising to find that with regard to availability, the organized retail performs better which can be attributed to greater shelf space and presence of private label brands marketed by most of the organized stores. Similarly for display, the organized retail is much ahead of their counterparts who are in the unorganized sector. The display of merchandize is a great deal better in the organized sector due to bigger floor area and shoppers can easily identify their brands due to space dedicated for similar items. The overall ambience is also much better in case of organized retail and most of the malls have air conditioning system along with escalators and lifts for the elderly shoppers. The overall satisfaction do not show much difference for two types of retail segments but overall loyalty is found to be quite high in the organized sector. Remarkably, as mentioned in Chapter III, loyalty is found to be greater in case of unorganized sector when the interaction of all the explanatory variables is taken into account. It is also interesting to observe that the shoppers belonging to lower age category show greater variability in their response pattern with respect to display, ambience and store loyalty

Table – 4.2
Descriptive Statistics-Unorganized Retail (Age)

| Variables | | N | Mean | Std. Deviation | Std. Error |
|------------------------|----------|-----|-------|----------------|------------|
| Trust | Below 30 | 59 | 11.86 | 1.889 | .246 |
| | 31 - 40 | 146 | 12.34 | 1.888 | .156 |
| | 41 - 50 | 139 | 12.55 | 2.263 | .192 |
| | 51 + | 67 | 12.70 | 2.412 | .295 |
| | Total | 411 | 12.40 | 2.119 | .105 |
| Value for money | Below 30 | 59 | 9.63 | 1.990 | .259 |
| | 31 - 40 | 146 | 9.83 | 1.802 | .149 |
| | 41 - 50 | 139 | 9.80 | 1.794 | .152 |
| | 51 + | 67 | 10.58 | 1.986 | .243 |
| | Total | 411 | 9.91 | 1.876 | .093 |
| Availability | Below 30 | 59 | 10.58 | 2.143 | .279 |
| | 31 - 40 | 146 | 10.58 | 2.252 | .186 |
| | 41 - 50 | 139 | 10.50 | 1.980 | .168 |
| | 51 + | 67 | 11.00 | 2.139 | .261 |
| | Total | 411 | 10.62 | 2.128 | .105 |
| Display | Below 30 | 59 | 9.10 | 1.626 | .212 |
| | 31 - 40 | 146 | 9.60 | 1.795 | .149 |
| | 41 - 50 | 139 | 9.35 | 1.735 | .147 |
| | 51 + | 67 | 9.39 | 1.517 | .185 |
| | Total | 411 | 9.41 | 1.710 | .084 |
| Ambience | Below 30 | 59 | 9.56 | 3.191 | .415 |
| | 31 - 40 | 146 | 9.88 | 3.207 | .265 |
| | 41 - 50 | 139 | 10.22 | 3.340 | .283 |
| | 51 + | 67 | 10.67 | 2.766 | .338 |
| | Total | 411 | 10.08 | 3.190 | .157 |
| Satisfaction | Below 30 | 59 | 9.56 | 1.330 | .173 |
| | 31 - 40 | 146 | 9.50 | 1.444 | .120 |
| | 41 - 50 | 139 | 9.26 | 1.451 | .123 |
| | 51 + | 67 | 9.70 | 1.596 | .195 |
| | Total | 411 | 9.46 | 1.460 | .072 |
| Store Loyalty | Below 30 | 59 | 13.47 | 1.994 | .260 |
| | 31 - 40 | 146 | 13.36 | 2.107 | .174 |
| | 41 - 50 | 139 | 13.39 | 2.430 | .206 |
| | 51 + | 67 | 13.25 | 2.338 | .286 |
| | Total | 411 | 13.37 | 2.237 | .110 |

Table – 4.3
ANOVA-Organized Retail (Age wise)

| Variables | F Values | Sig. |
|------------------------|-----------------|-------------|
| Trust | 1.349 | .258 |
| Value for money | .730 | .535 |
| Availability | 2.871 | .036 |
| Display | 1.214 | .304 |
| Ambience | 1.159 | .325 |
| Satisfaction | 1.588 | .192 |
| Store Loyalty | 2.183 | .089 |

The age wise analysis of variance has been conducted separately for the organized as well as unorganized retail taking into consideration all the variables included in the study. It is revealed from the ANOVA results (Tables 4.3 and 4.4) that age is significantly related with the availability of products in the organized store. The age and loyalty towards organized store are found to be significantly related at $p < 0.089$. Apart from these observations, no significant association has been observed for all other variables since the F values are very low. It is surprising to note that for the unorganized sector, the value for money is found to be significant and all other variables depict no significant relationship.

It is quite interesting to discern that the income wise ANOVA results (Table 4.5) for the organized retail show significant relationship for all the variables under consideration. Similar observation is also found for five variables for the unorganized retail (Table 4.6). The availability and satisfaction are not found to be significant for the organized retail and hence the same have not been reported.

Table – 4.4
ANOVA-Unorganized Retail (Age wise)

| Variables | F Values | Sig. |
|------------------------|-----------------|-------------|
| Trust | 1.981 | .116 |
| Value for money | 3.637 | .013 |
| Availability | .897 | .443 |
| Display | 1.330 | .264 |
| Ambience | 1.567 | .197 |
| Satisfaction | 1.624 | .183 |
| Store Loyalty | .107 | .956 |

Table – 4.5
ANOVA-Organized Retail (Income wise)

| Variable | Mean Squares | F Values | Sig. |
|------------------------|---------------------|-----------------|-------------|
| Trust | 59.231 | 12.058 | .000 |
| Value for money | 67.434 | 16.103 | .000 |
| Availability | 19.099 | 4.443 | .001 |
| Display | 81.639 | 12.095 | .000 |
| Ambience | 91.193 | 13.002 | .000 |
| Satisfaction | 12.402 | 5.920 | .000 |
| Store Loyalty | 10.007 | 2.134 | .061 |

Table – 4.6

ANOVA-Unorganized Retail (Income wise)

| Variable | Mean Square | F | Sig. |
|-----------------|-------------|--------|------|
| Trust | 21.816 | 5.102 | .000 |
| Value for money | 12.418 | 3.642 | .003 |
| Display | 11.330 | 4.016 | .001 |
| Ambience | 116.255 | 13.107 | .000 |
| Store Loyalty | 19.639 | 4.072 | .001 |

Note: Only Significant associations have been reported

The Pearson chi-square analyses are reported in Tables 4.7 and 4.8. Significant association among share of wallet on unorganized retail and five explanatory variables has been reported along with the contingency coefficients which measure the strength of association between two variables. It is observed that the store loyalty and satisfaction are not associated significantly with the share of money spent on unorganized retail. For organized retail, it is revealed that there is no association between the share of wallet and the store loyalty behavior of shoppers. The contingency coefficients are found to be significant although the absolute values are low indicating a weak association among the variables considered for conducting chi-square analysis.

Table – 4.7

Chi Square Analysis (unorganized Retail)

| Cross Tabulation with Unorganized Share | χ^2 | df | Sig. | Contingency Coefficient | Sig. |
|---|----------|----|------|-------------------------|------|
| Trust | 35.572 | 24 | .060 | .282 | .060 |
| Value for Money | 28.098 | 18 | .061 | .253 | .061 |
| Availability | 31.952 | 20 | .044 | .269 | .044 |
| Display | 51.629 | 20 | .000 | .334 | .000 |
| Ambience | 74.853 | 26 | .000 | .393 | .000 |

Note: Only Significant associations have been reported

Table – 4.8
Chi Square Analysis (Organized Retail)

| Cross Tabulation with Organized Share | X ² | df | Sig. | Contingency Coefficient | Sig. |
|---------------------------------------|----------------|----|------|-------------------------|------|
| Value for Money | 51.235 | 22 | .000 | .333 | .000 |
| Availability | 47.148 | 22 | .001 | .321 | .001 |
| Display | 101.782 | 24 | .000 | .446 | .000 |
| Ambience | 115.197 | 24 | .000 | .468 | .000 |
| Satisfaction | 39.913 | 22 | .011 | .298 | .011 |
| Trust | 35.783 | 26 | .096 | .283 | .096 |

Note: Only Significant associations have been reported

4.3 Multiple Regression Analysis

The approaching discussion gives the analysis of multiple regression results including linear as well as non-linear Binary Logistic Model. The first regression analysis (Table 4.9) depicts the relationship among store loyalty as a dependent variable and trust, availability, ambience and satisfaction of organized sector. Similar analysis was done by Huddleston, Whipple and VanAuken (2004) in their study on food store loyalty. The four variables were chosen based on the initial factor structure considering the Eigen value ≥ 1 . It may be reiterated that display and ambience as well as availability and value for money did not appear distinct as observed earlier by Beatty and Ferrell (1998) and Kim, Lee and park (2014) while researching on shopping value orientation. In view of this, regression analysis has been conducted with four explanatory variables as mentioned above. All the variables are found to be significant in influencing the store loyalty construct. Although the value of R^2 is not very high, it is still significant beyond $F < 0.000$. Thus, organized retailers must consider the relevance of trust, availability of wide range of brands, attractive ambience and overall satisfaction of customers.

Table-4.9
Regression Coefficients^a (Organized)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|--------------|-----------------------------|------------|---------------------------|-------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| Trust | .230 | .043 | .249 | 5.411 | .000 | .821 | 1.219 |
| Availability | .163 | .046 | .159 | 3.535 | .000 | .866 | 1.155 |
| Ambience | .154 | .038 | .201 | 4.082 | .000 | .722 | 1.385 |
| Satisfaction | .332 | .062 | .227 | 5.334 | .000 | .963 | 1.039 |

a. Dependent Variable: Store Loyalty

Note: R=0.541, R²=0.292, Adjusted R²=0.285, Std. Error of Estimate=1.843, F=47.132, p<0.000

In case of unorganized sector the relevant variables are ambience, satisfaction, value for money and gender which are found to be significantly associated with store loyalty as observed by Das (2014) in his paper on store loyalty phenomenon. The gender coefficient reflects that the men in general are not very loyal to any particular store compared to their female counterparts who exhibit greater degree of loyalty (Table 4.10).

Table- 4.10
Regression Coefficients^a (Unorganized)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|-----------------|-----------------------------|------------|---------------------------|--------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| Ambience | .456 | .034 | .650 | 13.384 | .000 | .617 | 1.622 |
| Satisfaction | .254 | .059 | .166 | 4.283 | .000 | .968 | 1.033 |
| Value for Money | -.144 | .057 | -.120 | -2.509 | .012 | .630 | 1.587 |
| Gender | -.559 | .285 | -.075 | -1.964 | .050 | .996 | 1.004 |

a. Dependent Variable: Unorg. StoreLoy

Note: R=0.640, R²=0.410, Adjusted R²=0.404, Std. Error of Estimate=1.727, F=70.527, p<0.000

The forced seven factor solution as reported in chapter-III reveals that the factor matrix adequately represent seven latent variables as is done in case of confirmatory factor analysis. Based on the findings of factor analysis involving all six explanatory variables including a dummy variable (store type: 1 stands for organized sector and 0 other wise), a multiple regression has been conducted and the goodness of fit is found to be significant beyond $p < 0.000$. It is observed that the display and value for money are not at all significant in predicting store loyalty behavior of shoppers (Table 4.11). It is interesting to note that the coefficient of store type is negative signifying that the shoppers are more loyal to unorganized sector as demonstrated by (Vij, 2013) in his study of the impact of organized retail on unorganized retail.

Table- 4.11

Regression Coefficients^a (Overall)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|-----------|-----------------------------|------------|---------------------------|--------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| TRUST | .096 | .032 | .094 | 2.941 | .003 | .760 | 1.316 |
| VALUE | .045 | .032 | .053 | 1.378 | .169 | .524 | 1.909 |
| AVAIL | .079 | .036 | .075 | 2.205 | .028 | .674 | 1.484 |
| SAT | .216 | .045 | .136 | 4.748 | .000 | .956 | 1.046 |
| AMB | .365 | .030 | .494 | 12.268 | .000 | .481 | 2.080 |
| DIS | .040 | .030 | .049 | 1.326 | .185 | .561 | 1.781 |
| STORETYPE | -1.002 | .158 | -.219 | -6.357 | .000 | .654 | 1.528 |

a. Dependent Variable: SLOYALTY

Note: $R=0.605$, $R^2=0.366$, Adjusted $R^2=0.361$, Std. Error of Estimate=1.828, $F=67.137$, $p < 0.000$

The Pearson correlation coefficients among all the variables have been reported in Table 4.12. The pair wise correlation matrix demonstrates that the correlations are not very high for most of the variables except the following ones: trust and value for money, ambience and value for money and ambience and display. Similar observations have been made earlier by Martos-Partal and González-Benito (2013) in their study on

Table 4.13 presents the findings of regression analysis incorporating all the criterion variables in an attempt to discern the degree and magnitude of the coefficients. The R^2 is found to be 0.278 which is significant beyond $p < 0.000$ as revealed by the ANOVA findings in the footnote coefficient table. It needs to be mentioned here that similar footnotes have been provided for all the regression outputs. Apart from ambience all other explanatory variables are found to be significantly influencing store loyalty. The store type, store trust, availability of wide range of brands, overall satisfaction and attractive display, all contribute towards shoppers' loyalty for a particular store. Similar observations have been made by Das, Guin and Datta (2013) in their study on organized non-food retail. In the entire sample it is observed that stores in the unorganized sector exhibit greater degree of loyalty since the coefficient is positive.

Table - 4.13

Regression Coefficients^a (Unorganized)

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistic | |
|-----------|-----------------------------|------------|---------------------------|------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| AMBIENCE | .299 | .160 | 1.868 | .062 | .730 | 1.868 | 1.371 |
| STORETYPE | .732 | .163 | 4.488 | .000 | .694 | 4.488 | 1.440 |
| TRUST | .236 | .031 | 7.532 | .000 | .932 | 7.532 | 1.073 |
| AVAIL | .178 | .035 | 5.050 | .000 | .795 | 5.050 | 1.258 |
| SAT | .237 | .048 | 4.898 | .000 | .957 | 4.898 | 1.045 |
| DIS | .150 | .027 | 5.557 | .000 | .792 | 5.557 | 1.263 |

Note: $R=0.528$, $R^2=0.278$, Adjusted $R^2=0.273$, Std. Error of Estimate=1.949, $F=52.382$, $p<0.000$

a. Dependent Variable: SLOYALTY

4.4 Regression using Factor Scores

In order to avoid multi-collinearity, a factor analysis of the independent variables has been conducted to identify the latent dimensions through confirmatory factor analysis. An orthogonal rotation was selected to make the variable independent. The regression was performed with the factor scores of each individual for the six latent variables which are trustworthiness of a store, perceived value for money, availability of a wide range of brands, overall satisfaction level, attractiveness of ambience and excellence in display. The results reveal that all these variables are significant. Bureau, Zhou and Piramuthu (2013) also made similar observations while elaborating on what brick and mortar stores can learn from online retailers. More than 30% of the variation in the store loyalty variable is explained by the factor scores of the latent dimensions influencing the dependent variable (Table 4.14). The F value is 68.737 which is highly significant beyond $p < 0.000$. It is quite obvious that the collinearity statistic would depict perfect values as there is no multi-collinearity in the original set of explanatory variables.

Table - 4.14
Regression Coefficients^a (overall using factor score)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|-----------------|-----------------------------|------------|---------------------------|--------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| Trust | .452 | .065 | .198 | 6.926 | .000 | 1.000 | 1.000 |
| Value for Money | .329 | .065 | .144 | 5.033 | .000 | 1.000 | 1.000 |
| Availability | .498 | .065 | .218 | 7.628 | .000 | 1.000 | 1.000 |
| Satisfaction | .313 | .065 | .137 | 4.790 | .000 | 1.000 | 1.000 |
| Ambience | .951 | .065 | .416 | 14.557 | .000 | 1.000 | 1.000 |
| Display | .434 | .065 | .190 | 6.647 | .000 | 1.000 | 1.000 |

a. Dependent Variable: SLOYALTY

Note: R=0.580, R²=0.336, Adjusted R²=0.331, Std. Error of Estimate=1.870, F=68.737, $p < 0.000$

4.4.1 Regression Results using Factor Scores (Organized Retail)

The regression was performed again for the organized sector with the factor scores of each individual for the six latent variables as mentioned above. The results substantiate the significance of all these variables (Table 4.27). Satisfaction, although significant, does not seem to influence store loyalty to a great extent. Good ambience and attractive display are the two factors which have the strongest impact on store loyalty. These factors are, to a large extent, instrumental in exerting a pull on customers towards the store. The F value is 42.726 which is highly significant beyond $p < 0.000$. It is also obvious that the collinearity statistic would depict perfect values as there is no multicollinearity in the original set of explanatory variables since an orthogonal rotation was employed instead of an oblique rotation.

Table- 4.15
Coefficients^a (organized)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|------------|-----------------------------|------------|---------------------------|--------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| ORGTRUST | .382 | .088 | .168 | 4.318 | .000 | 1.000 | 1.000 |
| ORGDISPLAY | .767 | .088 | .338 | 8.715 | .000 | 1.000 | 1.000 |
| ORGVALUE | .488 | .088 | .215 | 5.527 | .003 | 1.000 | 1.000 |
| ORGSAT | .508 | .088 | .224 | 5.759 | .058 | 1.000 | 1.000 |
| ORGAVAIL | .585 | .088 | .258 | 6.633 | .000 | 1.000 | 1.000 |
| ORGAMB | 1.075 | .088 | .473 | 12.161 | .000 | 1.000 | 1.000 |

Note: $R=0.623$, $R^2=0.388$, Adjusted $R^2=0.379$, Std. Error of Estimate=1.790, $F=42.726$, $p < 0.000$

a. Dependent Variable: SLOYALTY

4.4.2 Regression Results using Factor Scores (Unorganized Retail)

The Pearson coefficients among all the variables have been reported in Table 4.28. The pair wise correlation matrix demonstrates that the correlations are not very high for most

of the variables except the following ones: ambience and value for money, availability and value for money and ambience and availability. In order to avoid any sort of collinearity, in the latter section regression analysis have been undertaken using orthogonal factor score data for each respondents.

Table - 4.16
Pearson Correlations

| | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. StoreLoy |
|---------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| Unorg. Trust | 1 | .114 [*] | -.043 | -.066 | .303 ^{**} | .010 | .222 ^{**} |
| Unorg. VM | .114 [*] | 1 | .585 ^{**} | .175 ^{**} | .606 ^{**} | .075 | .282 ^{**} |
| Unorg. Availability | -.043 | .585 ^{**} | 1 | .253 ^{**} | .510 ^{**} | .083 | .272 ^{**} |
| Unorg. Display | -.066 | .175 ^{**} | .253 ^{**} | 1 | .144 ^{**} | -.065 | .068 |
| Unorg. Ambience | .303 ^{**} | .606 ^{**} | .510 ^{**} | .144 ^{**} | 1 | .172 ^{**} | .605 ^{**} |
| Unorg. Satisfaction | .010 | .075 | .083 | -.065 | .172 ^{**} | 1 | .271 ^{**} |
| Unorg. StoreLoy | .222 ^{**} | .282 ^{**} | .272 ^{**} | .068 | .605 ^{**} | .271 ^{**} | 1 |

*Correlation is significant at the 0.05 level (2-tailed)

**Correlation is significant at the 0.01 level (2-tailed)

In a similar manner, regression was performed for the unorganized sector too, with the factor scores of each individual for the same set of six latent variables. The strength of goodness of fit measured by R^2 is considerably higher and the standard error of estimate is quite low. The results point towards the significance of all these variables (Table 4.29). Trust and Satisfaction seem to be the most important variables in ensuring store loyalty in the unorganized sector. These factors are, to a large extent, instrumental in exerting a pull on customers towards the store. Display is not significant, which reveal unorganized retailers do not have the opportunity to display their products properly

owing to small size, shortage of shelf space and low scale of operation. The F value is 77.145 which is highly significant beyond $p < 0.000$. It is also obvious that the collinearity statistic would depict perfect values as there is no multi-collinearity in the original set of explanatory variables.

Table -4.17
Regression Coefficients^a (unorganized)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistic | |
|-------|-----------------------------|------------|---------------------------|-------|------|------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| TRUS | .714 | .078 | .312 | 9.187 | .000 | 1.000 | 1.000 |
| DISP | .087 | .078 | .043 | 1.115 | .263 | 1.000 | 1.000 |
| VAL | .440 | .078 | .219 | 5.641 | .000 | 1.000 | 1.000 |
| SATI | .640 | .078 | .319 | 8.238 | .000 | 1.000 | 1.000 |
| AVAI | .370 | .078 | .184 | 4.743 | .000 | 1.000 | 1.000 |
| AMBI | .419 | .078 | .208 | 5.371 | .000 | 1.000 | 1.000 |

a. Dependent Variable: SLOYALTY
Note: $R=0.731$, $R^2=0.534$, Adjusted $R^2=0.527$, Std. Error of Estimate=1.573, $F=77.145$, $p < 0.000$

4.5 Binary Regression Analysis

In this section, an attempt has been made to classify respondents into two groups based on their preference towards organized and unorganized stores along with few important explanatory variables namely location, ambience, empathy and fast service. Though location, empathy and fast service have not been incorporated in the OLS model in predicting store loyalty, they have been included in the Binary Logistic Model as because these variables are found to be relevant in distinguishing unorganized store shoppers from the organized store shoppers. The results of binary logistic regression demonstrate that these explanatory variables may be considered to classify respondents into two groups. The regression model could classify accurately more than 89% of the sample members with a small margin of error. The pseudo-R square values, chi square values and the coefficients of regression are found to be significant (Table 4.14).

Table - 4.18

Omnibus Tests of Model Coefficients (Overall)

| | | Chi-square | Df | Sig. |
|--------|-------|------------|----|------|
| Step 1 | Step | 694.750 | 4 | .000 |
| | Block | 694.750 | 4 | .000 |
| | Model | 694.750 | 4 | .000 |

Note: -2 Log likelihood=444.784, Cox & Snell R Square=0.571, Nagelkerke R Square=0.761

H-L Test is an alternative to model chi square which segregates subjects into 10 ordered groups and then makes a comparison with the number actually in the each group (observed) to the number predicted by the logistic regression model (predicted). The 10 ordered groups are formed based on their estimated probability. Those with estimated probability below 0.1 are categorized under one group, and so forth, up to those with probability 0.9 to 1.0. Each of these groups is again divided into two groups based on the actual observed outcome variable (success, failure). The likely frequencies for each of the cells are taken from the model. A probability (p) value is calculated from the chi-square distribution with 8 degrees of freedom to test the fit of the logistic model. If the H-L goodness-of-fit test statistic is greater than .05, the null hypothesis that there is no difference between observed and model-predicted values cannot be rejected, implying that the model's estimates fit the data at an acceptable level. Thus, models having good fit show non-significance on the H-L goodness-of-fit test. This desirable outcome of non-significance indicates that the model prediction does not significantly differ from the observed values. It is observed from Table 4.15 that the H-L Test is highly insignificant indicating goodness of fit of the model. The classification table (table 4.16) demonstrates that almost 90% of the shoppers can be properly classified by the model.

Table - 4.19

Hosmer and Lemeshow Test

| Step | Chi-square | df | Sig. |
|------|------------|----|------|
| 1 | 6.242 | 7 | .512 |

Table- 4.20

Classification Table (overall)

| | Observed | | Predicted | | |
|--------|-----------|--------------------|-----------|-----|--------------------|
| | | | STORETYPE | | Percentage Correct |
| | | | 0 | 1 | |
| Step 1 | STORETYPE | 0 (unorganized) | 363 | 48 | 88.3 |
| | | 1 (organized) | 41 | 370 | 90.0 |
| | | Overall Percentage | | | 89.2 |

Note: The cut value is .500

As already mentioned that location, empathy and fast service are quantified by dummy variables where 1 represents organized retail outlet and 0 represents retail outlets in the unorganized sector, the coefficients of the logistic regression reveal that ambience is the most important variable (Table 4.17) in classifying the shoppers into two groups and the Exp (B) value is substantially higher. Here, one could draw a parallel between inferences made by Jayasankaraprasad (2014). Apart from that, location, empathy and fast service are much better in the unorganized retail sector as supported by Verma and Verma (2013) while researching on customer relationship management (CRM).

The Wald statistic and associated probabilities provide an index of the significance of each predictor in the equation. The Wald statistic has a chi square distribution. The simplest way to assess Wald is to take the significance values and if less than 0.05, the null hypothesis is rejected as the variable does not make significant contribution. The Exp (B) presents the extent to which raising the corresponding measure by one unit

influences the odds ratio. We can interpret Exp (B) in terms of the change in odds. If the value exceeds 1, the odds of an outcome occurring increase; if the value is less than 1, any increase in the predictor leads to a drop in the odds of the outcome occurring.

Table 4.21

Variables in the Equation (Overall)

| | B | S.E. | Wald | df | Sig. | Exp(B) | 95.0% C.I. for Exp(B) | | |
|---------------------|-------------|--------|------|---------|------|--------|-----------------------|-------|--------|
| | | | | | | | Lower | Upper | |
| Step 1 ^a | LOCATION | -1.202 | .289 | 17.341 | 1 | .000 | .301 | .171 | .529 |
| | AMBIENCE | 2.538 | .277 | 83.957 | 1 | .000 | 12.655 | 7.353 | 21.778 |
| | EMPATHY | -3.663 | .272 | 180.727 | 1 | .000 | .026 | .015 | .044 |
| | FASTSERVICE | -1.995 | .258 | 59.964 | 1 | .000 | .136 | .082 | .225 |

a. Variable(s) entered on step 1: LOCATION, AMBIENCE, EMPATHY, FAST SERVICE.

It is reported in retail literature that the location of the store and quality of service are considered very important in generating store patronage behavior (Shukla and Babin, 2013). A Binary Logistic Model was employed including a few dummy variables like location, empathy and fast service. The coefficients for the dummy variables are found to be significant indicating the importance of these variables in ensuring store loyalty. The omnibus test results demonstrate that the fit of the model is quite satisfactory (Table 4.18). The pseudo-R square values are also on the higher side. The H-L statistic is not significant indicating goodness of fit (Table 4.19). The classification of respondents is found to be nearly 90% which is substantially high (Table 4.20). The variables location, empathy and fast service represented by dummy variable indicating 1 for organized sector and 0 otherwise signify that all these three variables are important in predicting store loyalty behavior (Table 4.21). This finding is corroborated by a similar study in the context of impact of service quality on customers' purchase intention by Hassan, Hashmi and Sarwar (2014). The display is much better for stores in the organized sector which is also found to be significant as observed by Kumar, Sharma, Shah and Rajan (2013) while giving their suggestions on building profitable

customer loyalty. The variables in the equation presented in the same table reveal that the store loyalty and location are two decisive factors in determining group membership.

Table- 4.22

Omnibus Tests of Model Coefficients (Overall with dummy)

| | | Chi-square | df | Sig. |
|--------|-------|------------|----|------|
| Step 1 | Step | 630.496 | 6 | .000 |
| | Block | 630.496 | 6 | .000 |
| | Model | 630.496 | 6 | .000 |

Note: -2 Log likelihood=509.038, Cox & Snell R Square=0.536, Nagelkerke R Square=0.714

Table - 4.23

Hosmer and Lemeshow Test (with dummy)

| Step | Chi-square | df | Sig. |
|------|------------|----|------|
| 1 | 10.494 | 8 | .232 |

Table - 4.24

Classification Table^a (with dummy)

| Observed | | | Predicted | | |
|----------|--------------------|---|-----------|-----|--------------------|
| | | | STORETYPE | | Percentage Correct |
| | | | 0 | 1 | |
| Step 1 | STORETYPE | 0 | 367 | 44 | 89.3 |
| | | 1 | 47 | 364 | 88.6 |
| | Overall Percentage | | | | 88.9 |

a. The cut value is .500

Table - 4.25

Variables in the Equation (overall with dummy)

| | B | S.E. | Wald | df | Sig. | Exp(B) | 95.0% C.I. for Exp(B) | |
|-------------|--------|------|---------|----|------|--------|-----------------------|--------|
| | | | | | | | Lower | Upper |
| LOCATION | -1.624 | .281 | 33.285 | 1 | .000 | 5.072 | 2.921 | 8.805 |
| EMPATHY | 3.592 | .244 | 216.422 | 1 | .000 | 36.309 | 22.500 | 58.594 |
| FASTSERVICE | 1.842 | .240 | 58.786 | 1 | .000 | 6.310 | 3.940 | 10.104 |
| SLOYALTY | -.217 | .059 | 13.420 | 1 | .000 | 1.242 | 1.106 | 1.395 |
| AMB | .148 | .052 | 8.185 | 1 | .004 | 1.160 | 1.048 | 1.284 |
| DIS | .214 | .049 | 18.925 | 1 | .000 | .807 | .733 | .889 |

Variable(s) entered on step 1: LOCATION, EMPATHY, FASTSERVICE, SLOYALTY, AMB, DIS.

The results reported above (Table 4.22) are based on the responses given by the sample respondents for organized as well as unorganized retail store. In order to visualize the influence of explanatory variables for stores in the organized as well as unorganized sector, regression analysis has been employed to compare the responses of individuals who mostly shop from both organized and unorganized stores. The variables location, empathy and fast service are positively associated with store loyalty indicating their relative importance in predicting the store loyalty behavior.

Table- 4.26

Variables in the Equation (with dummy variable)

| | B | S.E. | Wald | df | Sig. | Exp(B) | 95.0% C.I. for Exp(B) | |
|-------------|-------|------|---------|----|------|--------|-----------------------|--------|
| | | | | | | | Lower | Upper |
| LOCATION | 1.592 | .271 | 34.469 | 1 | .000 | 4.912 | 2.887 | 8.357 |
| EMPATHY | 3.514 | .235 | 223.688 | 1 | .000 | 33.592 | 21.195 | 53.241 |
| FASTSERVICE | 1.881 | .236 | 63.498 | 1 | .000 | 6.558 | 4.129 | 10.415 |
| SLOYALTY | .228 | .051 | 20.265 | 1 | .000 | 1.256 | 1.137 | 1.386 |

Variable(s) entered on step 1: LOCATION, EMPATHY, FASTSERVICE, SLOYALTY.

The results of the omnibus test reveal that the chi square values are highly significant indicating the strength of goodness of fit of the Binary Logistic Model (Table 4.23).

Table - 4.27
Omnibus Tests of Model Coefficients (with dummy variable)

| | | Chi-square | df | Sig. |
|--------|-------|------------|----|------|
| Step 1 | Step | 609.164 | 4 | .000 |
| | Block | 609.164 | 4 | .000 |
| | Model | 609.164 | 4 | .000 |

Note: -2 Log likelihood=530.370, Cox & Snell R Square=0.523, Nagelkerke R Square=0.698

The H-L statistic is not significant indicating goodness of fit (Table 4.24). The classification of respondents is found to be nearly 90% which is substantially high (Table 4.25).

Table - 4.28
Hosmer and Lemeshow Test (with dummy variable)

| Step | Chi-square | df | Sig. |
|------|------------|----|------|
| 1 | 4.193 | 8 | .839 |

Table - 4.29
Classification Table^a(with dummy variable)

| Observed | | | Predicted | | Percentage Correct |
|--------------------|-----------|---|-----------|-----|--------------------|
| | | | STORETYPE | | |
| | | | 0 | 1 | |
| Step 1 | STORETYPE | 0 | 357 | 54 | 86.9 |
| | | 1 | 47 | 364 | 88.6 |
| Overall Percentage | | | | | 87.7 |

a. The cut value is .500

4.6 Cluster Analysis

A hierarchical clustering program along with agglomeration schedule was used to identify the possible number of clusters. The dendrogram and the icicle plots substantiated the agglomeration schedule that four cluster solutions would be appropriate to group respondents into four clusters based on the responses on seven variables. The convergence achieved is due to no or small distance change and the minimum distance between initial clusters is found to be 13.266. Once the number of clusters was identified, in the subsequent stage a K-means clustering algorithm was used. In this process, the final cluster centres were attained. The final cluster centre contains the mean value for each variable in each cluster. Based on the final cluster centres (Tables 4.32 and 4.36), the cluster characteristics can be described as given below:

Organized Retail

Cluster 1

From a closer look at the original data set, cluster membership and distances, it is observed that organized shoppers belonging to this cluster are loyal to stores and have faith in the stores from where they shop. They are highly concerned with the ambience and attractive display of assortments. They mostly belong to A1A2 social class and are in general falling within the high income category. This group of customers is relatively young, most of them having post graduation qualification. Availability of assortment of brands is very important to this group but they are also found to be value conscious shoppers. In comparison to other groups, this group of buyers is satisfied with the overall performance of organized retail. They shop around for fun and recreation for which the store ambience is very important to this group of shoppers. Thus, the cluster 1 shoppers may be termed as High-End Recreational Shoppers. These shoppers are primarily executives having high disposable income and the percentage share of organized shopping is substantially high.

Cluster 2

The shoppers belonging to this group, while exhibiting moderate store loyalty, are also found to be value conscious. They do not consider the ambience and display of merchandize very important while selecting a particular store for shopping. The original data structure reveals that these shoppers are price sensitive and display relatively high level of trust. This cluster may be designated as Moderately Loyal Price Sensitive Shoppers. These shoppers are highly educated and prefer to buy their provisions mostly from the organized retail and their level of satisfaction with the overall performance of the stores from where they buy matches their expectation. These shoppers are relatively aged and are price sensitive who look out for the worth of their money they spend in the organized retail.

Cluster 3

Shoppers belonging to this group show little amount of trust toward the organized retail stores and are not concerned with ambience and display of stores. However, the availability of wide variety of brands is important to this group of shoppers. The level of satisfaction is much lower than the other two groups. This group of shoppers consists of graduates mostly and their age is on the higher side. They spend a substantial proportion of their shopping budget in the unorganized retail. This group may be labeled as Variety Seeking Shoppers who are not concerned with the display and ambience of the store. The overall satisfaction of this group of shoppers is on the lower side.

Cluster 4

Shoppers belonging to this particular cluster show a considerably low level of store loyalty. It is evident from final cluster centres that they are not much concerned about availability, display and ambience. Even this group of shoppers does not show signs of giving any importance to the satisfaction element. Quiet characteristically, they can be termed as Indifferent Shoppers. It is also revealed that shoppers belonging to this group spend less in the organized retail since they do not have much trust towards this format of retail. They also have the perception that the value for money is of no consequence as far as organized retail is concerned. They are not loyal to any particular organized

store as because the level of satisfaction they derive from these stores is generally on the lower side.

Table - 4.30

Initial Cluster Centres (organized)

| | Cluster | | | |
|-----------------|---------|----|----|----|
| | 1 | 2 | 3 | 4 |
| Trust of Org | 15 | 18 | 12 | 7 |
| Value for money | 11 | 16 | 15 | 9 |
| Availability | 13 | 8 | 16 | 8 |
| Display | 16 | 12 | 8 | 9 |
| Ambience | 13 | 12 | 9 | 7 |
| Store Loyalty | 17 | 11 | 18 | 10 |
| Satisfaction | 0 | 8 | 9 | 8 |

Table - 4.31

Final Cluster Centres (organized)

| | Cluster | | | |
|-----------------|---------|----|----|----|
| | 1 | 2 | 3 | 4 |
| Trust of Org | 15 | 14 | 12 | 11 |
| Value for money | 14 | 14 | 12 | 10 |
| Availability | 13 | 11 | 13 | 9 |
| Display | 14 | 13 | 11 | 8 |
| Ambience | 15 | 13 | 10 | 8 |
| Store Loyalty | 16 | 15 | 14 | 13 |
| Satisfaction | 10 | 10 | 10 | 9 |

1-High-End Recreational Shoppers 2- Moderate Loyal Price Sensitive Shoppers 3-Variety Seeking Shoppers 4- Indifferent shoppers

Table - 4.32

Distances between Final Cluster Centres

| Cluster | 1 | 2 | 3 | 4 |
|---------|--------|-------|-------|--------|
| 1 | | 3.889 | 7.122 | 11.798 |
| 2 | 3.889 | | 4.524 | 8.438 |
| 3 | 7.122 | 4.524 | | 5.394 |
| 4 | 11.798 | 8.438 | 5.394 | |

Table - 4.33

ANOVA (organized)

| | Cluster | | Error | | F | Sig. |
|-----------------|-------------|----|-------------|-----|---------|------|
| | Mean Square | df | Mean Square | df | | |
| Trust of Org | 271.425 | 3 | 3.615 | 407 | 75.080 | .000 |
| Value for money | 331.875 | 3 | 2.549 | 407 | 130.186 | .000 |
| Availability | 275.784 | 3 | 2.480 | 407 | 111.218 | .000 |
| Display | 563.273 | 3 | 3.568 | 407 | 157.886 | .000 |
| Ambience | 809.960 | 3 | 2.130 | 407 | 380.332 | .000 |
| Store Loyalty | 171.934 | 3 | 3.523 | 407 | 48.808 | .000 |
| Satisfaction | 19.012 | 3 | 2.097 | 407 | 9.066 | .000 |

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Table 4.34

| Number of Cases in each Cluster | | |
|---------------------------------|---|---------|
| Cluster | 1 | 74.000 |
| | 2 | 108.000 |
| | 3 | 133.000 |
| | 4 | 96.000 |
| Valid | | 411.000 |
| Missing | | .000 |

Unorganized Retail

Cluster 1

Shoppers in this group are found to be moderately loyal to their stores but consider assortment of brands not much important factor in choosing a store. They do not have much trust from where they shop and are sensitive to price charged by the retailers. A closer look at the original data set also reveals that they belong to moderate income group and satisfied with the overall services provided by the retailers in the unorganized sector. This group may be termed as moderately Loyal Expedient Shoppers.

Cluster 2

Shoppers belonging to this cluster are highly loyal to their stores and have considerably higher level of trust. Store ambience is a significantly impelling factor. The data set further reveals that the shoppers mostly belong to A1A2 category of social class stratification. They may be termed as Trustworthy Loyal Shoppers.

Cluster 3

Shoppers belonging to this cluster consider availability of a wide range of products very important and do not show high degree of loyalty to any particular store. Store ambience is not important for them but they consider value for money a decisive factor

in choosing a store. As such this group can be designated as Smart Shoppers to whom price matters a lot and who are ready to expend effort in choosing the right kind of store to suit this purpose.

Cluster 4

This group of shoppers is not bothered about the presence of most of the variables except for trust and loyalty. They have aversion for shopping from small stores and mostly shop from the organized stores spending more than 50% of their share of wallet. Thus they may be labeled as Apathetic Shoppers.

Table- 4.35

| Initial Cluster Centres (unorganized) | | | | |
|---------------------------------------|---------|----|----|----|
| | Cluster | | | |
| | 1 | 2 | 3 | 4 |
| Unorg. Trust | 9 | 17 | 16 | 13 |
| Unorg. VM | 9 | 11 | 18 | 8 |
| Unorg. Availability | 11 | 16 | 10 | 8 |
| Unorg. Display | 17 | 9 | 8 | 6 |
| Unorg. Ambience | 10 | 17 | 15 | 5 |
| Unorg. StoreLoy | 16 | 17 | 10 | 11 |
| Unorg.Satisfaction | 8 | 12 | 8 | 9 |

Table - 4.36
Final Cluster Centres (unorganized)

| | Cluster | | | |
|---------------------|---------|----|----|----|
| | 1 | 2 | 3 | 4 |
| Unorg. Trust | 11 | 15 | 11 | 13 |
| Unorg. VM | 11 | 11 | 11 | 8 |
| Unorg. Availability | 12 | 11 | 12 | 8 |
| Unorg. Display | 10 | 9 | 10 | 9 |
| Unorg. Ambience | 11 | 14 | 9 | 7 |
| Unorg. StoreLoy | 15 | 16 | 11 | 12 |
| Unorg. Satisfaction | 10 | 10 | 9 | 9 |

1-Loyal Expedient Shoppers 2-Trustworthy Loyal Shoppers 3-Shoppers Shoppers 4- Apathetic Shoppers

Table - 4.37

| Distances between Final Cluster Centres | | | | |
|---|-------|-------|-------|-------|
| Cluster | 1 | 2 | 3 | 4 |
| 1 | | 5.380 | 3.964 | 6.994 |
| 2 | 5.380 | | 8.093 | 9.810 |
| 3 | 3.964 | 8.093 | | 5.507 |
| 4 | 6.994 | 9.810 | 5.507 | |

Table - 4.38
ANOVA (unorganized)

| | Cluster | | Error | | F | Sig. |
|---------------------|-------------|----|-------------|-----|---------|------|
| | Mean Square | df | Mean Square | df | | |
| Unorg. Trust | 312.575 | 3 | 2.219 | 407 | 140.879 | .000 |
| Unorg. VM | 282.458 | 3 | 1.463 | 407 | 193.057 | .000 |
| Unorg. Availability | 327.290 | 3 | 2.150 | 407 | 152.209 | .000 |
| Unorg. Display | 46.795 | 3 | 2.602 | 407 | 17.985 | .000 |
| Unorg. Ambience | 1117.396 | 3 | 2.018 | 407 | 553.719 | .000 |
| Unorg. StoreLoy | 399.827 | 3 | 2.093 | 407 | 190.988 | .000 |
| Unorg.Satisfaction | 20.602 | 3 | 1.996 | 407 | 10.323 | .000 |

Note: The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Table - 4.39

| Number of Cases in each Cluster | | |
|---------------------------------|---|---------|
| Cluster | 1 | 112.000 |
| | 2 | 95.000 |
| | 3 | 74.000 |
| | 4 | 130.000 |
| Valid | | 411.000 |
| Missing | | .000 |

4.7 Conclusion

The first regression analysis (table 4.9) shows the association among shoppers' loyalty behavior as a dependent variable and four variables as a set of explanatory variables based on the exploratory factor analysis considering the Eigen value ≥ 1 . Depending on the output of the factor analysis, the explanatory variables are chosen to predict the store loyalty behavior. It is observed that all variables are significant in predicting the shoppers' store loyalty behavior. In an attempt to refine the output of factor analysis an exploratory method was adopted keeping in view the seven variables to be extracted from the data structures. The forced seven factor solution amply demonstrates that the factor structure distinctly represent the seven variables without any misloading or split loadings. The regression analysis including all six explanatory variables and a dummy variable, which is store type, was introduced to run a multiple regression. For store type, 1 has been assigned to represent the organized sector while 0 represents the unorganized sector. The goodness of fit is found to be significant beyond $p < 0.000$ though the coefficients of display and value for money are not found to be significant in predicting store loyalty of shoppers. It is interesting to note that the coefficient of store type is negative signifying that the shoppers are more loyal to unorganized sector as demonstrated by Vij (2013) in his study on the impact of organized retail on unorganized retail. Although the D-W values are not within conventionally acceptable range, it is not reported as the researchers in this field have been found to be ignoring it in case of cross-sectional data. However, the direction and magnitude of the coefficient did not contradict the relationship among the variables. Overall, the results of binary logistic regression demonstrate that the shoppers can be classified adequately into two groups with a small margin of error. The results of factor score regression also bring forth encouraging results. The findings of factor score regression reveal that the goodness of fit and significance of the regression coefficients does not contradict the established theoretical premise in any manner. Cluster analysis results for both the organized and the unorganized sector extracted four distinct clusters for both the sectors and the same could be properly described based on the distance as well as the characteristics of the respondents as revealed by the original responses provided.

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CHAPTER V

SUMMARY, CONCLUSIONS AND MANAGERIAL IMPLICATIONS

5.1 Introduction

India's retail boom has acquired further momentum, dynamism and vibrancy with international players experimenting in the Indian market and the country's existing giants taking bold and innovative steps to woo the consumers. At the same time, the early entrants are redefining their strategies to stay competitive and cope with the new market landscape. The next few years are likely to witness rapid growth in the organized retail sector with several leading international players establishing their presence in India by adjusting their formats to suit local tastes and buying behavior while regional players have stepped up their defences and are striving to gain edge over global players by using their knowledge of local markets. Clearly, the next wave of the retail boom is upon us. Over the past few years, the retail sale in India is hovering around 33-35% of GDP as compared to 20% in the US (A. T. Kearney, GRDI, 2011). The Indian retail industry, comprising of organized and unorganized sectors, is one of the largest and fastest growing industries in the world. In India, though organized retail accounts for around 8% of total retail revenue, with a young population, policy reforms, rising disposable income, booming consumerism, changing life styles brought about by a robust economy, rapid urbanization, anticipated strong GDP growth and the introduction of latest technologies, India is set to emerge as one of the largest organized retail hubs in the world (IBEF, Retail: August 2013). Industry estimates point towards a 20% share of organized retail by 2020. The domestic retail market has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850 billion by 2015 (Indian Retail Market: Opening More Doors, Deloitte, 2013).

5.2 Summary Findings

Building and sustaining store loyalty assures a retailer of continuous patronage, prolonged business, effective competitive advantage and a handy entry barrier that does not erode easily (Kaul, 2006). Loyalty also offers strong resistance to competitive messages, lower selling costs, decreased price sensitivity and favorable word-of-mouth

(Dick and Basu, 1994; Zeithaml, 2000). Store loyalty has lately become highly significant in the backdrop of the current economic downturn being observed across the world. There are several determinants and dimensions of loyalty that may be studied. A host of factors have an impact on store loyalty viz. store image, brand image, brand loyalty, variety, product quality, service quality, customer satisfaction, convenient buying, interaction quality, interpersonal relationships, credit facility, payment flexibility, passage of time, services delivered at home, price, trust, demographics etc. Majority of the consumers show signs of multiple store patronage which may differ across store types. It is extremely difficult to find loyal shoppers shopping exclusively at a single store and as such, the number of such shoppers is almost negligible (Cunningham, 1961).

The Indian retail sector topped the list of most attractive retail destination consecutively for three years from 2004 to 2007, ranked second in 2008 and ranked fourth in 2011 from among thirty emergent markets (A.T. Kearney, GRDI, 2011). The number of shopping malls is going up even in tier II and tier III cities. In the face of more and more organized players joining the retail bandwagon, survival may prove to be exceedingly difficult particularly in view of the slowing economy. Quite pertinently, Kalhan (2007) also presents the case of small retailers who are expected to bear the brunt of an escalation of unfair competition from corporate retail and FDI. In this backdrop, customer loyalty may prove to be the most effective weapon to stand against competition and ensure long term survival.

The study considered a range of store loyalty dimensions and their relative importance in recruitment and retention of customers. The findings of the study calls for more effective strategy formulation by the retailers taking into account many of the important dimensions mentioned above, and help in the long term retention of the customers and larger share of wallet. The broad objective of the study was to develop a relationship framework by considering store loyalty as the dependent variable and a set of explanatory variables such as store ambience, customer satisfaction, trustworthiness, demographics, location, social status, availability of products, attractiveness of display, perceived value for money etc. in the context of the consumers drawn from the four

metros and the other cities and towns included in the survey from different parts of the country to make the study more representative and lend it a pan-Indian character. The study covered all the existing retail store formats in the organized sector as well as the unorganized sector.

As mentioned in chapter-III, the study aimed to identify various antecedents of store loyalty and develop scales to measure these antecedents, identify important reasons behind store patronage and assess the behavioral pattern of purchases including the share of wallet, examine and trace the store patronage behavior of customers, investigate whether the shoppers have multiple store loyalty and probe reasons behind such behavior, explore the relative influence of various facets of customer patronage behavior leading to store loyalty, integrate the findings as stated above and suggest strategies to retain customers, assess the psychometric performance of various scales by employing a range of tests employed in psychometric literature and make a comparative analysis of store patronage behavior and its antecedent variables for assessing attitude of shoppers towards organized as well as unorganized retail. Broadly speaking, the study makes an attempt at contributing to the extant literature on customer loyalty from the perspective of the retail segment.

There have been voluminous work on the subject of store loyalty but not much can be found on the issue of comparative store loyalty between the organized and the unorganized retail. Consequently there was a scope to contribute by way of considering these attributes in a new study on retail loyalty with an eye to comparative analysis between organized and the unorganized segment. For quite some times now, the Indian retail sector has been open to FDI starting with wholesale, then single brand retail and finally, multi-brand retail. Prevailing circumstances and recent shift in government policy posits that it is only a matter of time before the retail sector is fully opened to FDI, and as such, there is an aptly timed need to pursue a comparative study on the store loyalty behavior of shoppers with respect to the organized and the unorganized sector, especially in the urban context. It was surmised that the findings of this study would provide valuable insights for retailers for developing and maintaining effective customer relationship which would ensure survival and increased profitability in the long run.

They could better meet their customers' needs by ensuring the presence of the attributes that delight their customers and eliminating completely or mitigating as far as possible, the negative attributes that dissatisfy and alienate their customers. As a final point, the consumer educators, marketing and salespeople and retail professionals could get insights on how to help retailers to initiate and bring about the necessary developments in the store dimensions towards building and fostering a long-term, loyal relationship with their customers.

In phase I, a series of focus group interviews was undertaken to identify various factors that consumers consider in the process of selecting a retail store. An initial pool of relevant items was generated through focus group interviews and depth interviews, followed by an exploratory factor analysis to identify the underlying dimensions consumers consider important based on the structure and pattern of factor loadings. After identifying the relevant attributes and dimensions of store loyalty and purification of the measurement items, the data for the study were derived from shoppers belonging to a cross section of population using a convenience sample of respondents. Convenience sampling technique was adopted due to constraints of time and other resources which made it virtually impracticable to adopt the random sampling technique. It needs to be mentioned here that convenience sampling method is not very scientific for drawing definite conclusions. However, since the objective of the study is to measure the strength and direction of different variables for predicting store loyalty behavior and no generalization is envisaged, convenience sampling technique has been adopted for the present study. The survey was done with the help of a structured questionnaire. The data were collected from the four metros and some tier I, II and III cities from all parts of the country as mentioned above. Various methods were employed to administer the questionnaire to the respondents. In addition to meeting the respondents and directly administering the questionnaire either personally or through qualified representatives, it was also emailed to them. Further, in many cases the questionnaires have also been sent through post attaching stamped self-addressed envelopes. It took almost a year,

the period beginning March 2013 to January 2014, to gather all the responses as in many cases reminders had to be sent to generate the same. Out of 1600 questionnaires administered across various locations, 454 questionnaires were obtained registering a response rate of 28.37% out of which 43 responses were rejected due to errors of omission and commission bringing down the total figure of valid responses to 411. Scale items were developed from reviewing past literature which were further refined by conducting reliability and validity tests frequently applied in marketing and psychometric research conducted in this area. Apart from employing factor analysis, multiple regression and other parametric statistical tools were also used depending on the nature of the data.

The data mainly have been collected from respondents belonging to A1A2 class of the social stratification scale as developed by Market Research Society of India (MRSI) which is mostly followed by researchers doing research with different social classes in India, particularly by the marketing research practitioners as well as academicians. It is revealed that lower the age of the respondents, lower would be their trust for the organized store as well as the unorganized store. The plausible reason for this could be the unwillingness or lack of interest of relatively aged people to try new stores or get attracted by new features incorporated by the established ones. The same pattern is observed in case of income. The plausible reason for this could be the aversion of customers in taking risk in making purchase decisions. However, for people having income above ₹ 150,000 there is slight reversal in this trend as the trust goes down a bit. The lower and upper bounds are also within acceptable range at 95% confidence interval for mean which corroborates this observation.

5.3 Scale Reliability and Validity

To establish scale dimensionality, an exploratory factor analysis with varimax rotation was carried out initially and the five dimensions were extracted and the cumulative percentage of variance explained was quite satisfactory (>61%). The goodness of fit measured by chi square as well as by KMO and Bartlett's Test is significant beyond $p < 0.000$, but the construct validity as measured by factor analysis and predictive

validity measured by multiple regression shows that the dependent variable, store loyalty, is associated with the explanatory variables considered in this study. Display, value for money and ambience, as well as money and availability, fused into a single latent dimension emerging as hybrid factor that cannot be meaningfully interpreted. Display and ambience may be clubbed as a single variable which can be labeled as attractiveness of the store, but the second hybrid factor cannot be combined into a single dimension as they are unrelated to each other. The exploratory factor analysis extracted five factor solution keeping in view the eigen value factors > 1.00 which did not match with the results expected. In view of this outcome, the number of factors had to be fixed considering the confirmatory factor analysis output with a seven factor solution. Looking at these results, a confirmatory factor analysis was conducted with seven underlying dimensions that extracted almost 70% variation in the original data set and the goodness of fit measured by KMO Barlett's Test of Sphericity was also found to be highly significant. The reliability measures were found to adequately demonstrate internal consistency of the measures employed to quantify various antecedents of store loyalty.

A preliminary sample (n=23) was selected based on convenience and the respondents were requested to give their views on the antecedent variable that influence store choice behavior. After scrutinizing the responses and their theoretical premise, the study considered six most important variables based on the responses given by a sample of respondents. To purify the variables included initially, a pilot survey was conducted using a student sample pursuing BBA program. Initially, the study included 36 items to measure seven constructs which were reduced to 21 items based on the item to total correlation as well as item to item correlation. In order to keep the questionnaire short and easy to comprehend, only three items were included in the final questionnaire, after incorporating opinion of experts.

Item to total correlation demonstrated that some items had very low correlation which prompted reduction of a few items from the store loyalty as well as ambience scale. 3 items in each category were retained based on the magnitude of correlation between each item and the total score for each category of measurement. The R^2 value and the

standard error are also quite satisfactory. The overall goodness of fit was found to be within acceptable range. The value for money and display coefficients is not found to be significant though the direction of the coefficients justify the theoretical foundation. In addition to this, a dummy variable was incorporated for representing the organized and the unorganized stores. It is revealed that the shoppers display a higher degree of store loyalty for unorganized retail compared to the organized sector.

5.4 Summary Results

The study explores the various determinants of store loyalty and their relative importance in recruitment and retention of customers. The findings of the survey provide vital inputs towards more effective strategy formulation by the retailers taking into account the various important dimensions which influence store loyalty, and help in the long term retention of the customers assuring them of continued patronage and share of wallet.

In the current study, retail shoppers from both the organized as well as the unorganized sectors were surveyed to be aware of the factors that influence satisfaction with their primary store and the encouraging factors that ensure that they continuously patronize this store regardless of being presented with an enticement to shop from some other store. The results reveal that the key factors that contribute to store loyalty and drive shoppers to stay store loyal differ between the two store types. Furthermore, there was no evidential support in the results of this study that shoppers' store satisfaction on the whole had any significant influence on their persistent patronage of the store.

The first regression analysis conducted in the study depicts the relationship among store loyalty as a dependent variable and trust, availability, ambience and satisfaction of organized sector. It was found that display and ambience as well as availability and value for money did not appear distinct. In view of this, regression analysis has been conducted with four explanatory variables as mentioned above and all the variables are found to be significant in influencing the store loyalty construct. Thus, organized retailers must consider the importance of trust, availability of wide range of brands, attractive ambience and overall satisfaction of customers. For the unorganized sector,

the relevant variables are ambience, satisfaction, value for money and gender which are found to be significantly associated with store loyalty. The gender coefficient reflects female customers who exhibit greater degree of loyalty towards a store.

Results of the multiple regression, which was conducted based on the findings of factor analysis as reported in chapter III, reveal that display and value for money are not at all significant in predicting store loyalty behavior of shoppers. It is interesting to note that shoppers are more loyal to unorganized sector. As pointed out earlier in chapter-III, the constructs ambience and display merged with a single factor indicating high degree of similarity between these two variables. Factor analysis results showed that some explanatory variables are significantly related which could distort the findings of multiple regression. To do away with the multi-collinearity problem, regression was conducted in the following section employing the factor scores to avoid any kind of multi-collinearity present in the data set. Results reveal that apart from ambience, all other explanatory variables are found to be significantly influencing store loyalty. The store type, store trust, availability of wide range of brands, overall satisfaction and attractive display, all contribute towards shoppers' loyalty for a particular store. In the entire sample it is observed that stores in the unorganized sector exhibit greater degree of loyalty since the coefficient is positive.

An attempt has also been made to classify respondents into two groups based on their preference towards organized and unorganized stores along with a few important explanatory variables, which are location, ambience, empathy and fast service. The results of binary logistic regression demonstrate that these explanatory variables may be considered to classify respondents into two groups. The regression model could classify accurately more than 89% of the sample members with a small margin of error. It was observed that the H-L Test is highly insignificant indicating goodness of fit of the model. The classification table demonstrated that almost 90% of the shoppers can be properly classified by the model. The coefficients of the logistic regression reveal that ambience is the most important variable in classifying the shoppers into two groups. Apart from that, location, empathy and fast service are much better in the unorganized retail sector.

A Binary Logistic Model was employed including a few dummy variables like location, empathy and fast service. The coefficients for the dummy variables are found to be significant indicating the importance of these variables in ensuring store loyalty. The omnibus test results demonstrate that the fit of the model is quite satisfactory. The pseudo-R square values are also on the higher side. The H-L statistic is not significant indicating goodness of fit. The classification of respondents is found to be nearly 90% which is substantially high. The variables location, empathy and fast service signify that all these three variables are important in predicting store loyalty behavior. Display is much better for stores in the organized sector which is found to be significant. In order to visualize the influence of explanatory variables for stores in the organized as well as unorganized sector, regression analysis was employed to compare the responses of individuals who mostly shop from both organized and unorganized stores. The variables location, empathy and fast service are positively associated with store loyalty indicating their relative importance in predicting the store loyalty behavior.

The H-L statistic is not significant indicating goodness of fit. The classification of respondents is found to be nearly 90% which is substantially high. In order to avoid multi-collinearity, a factor analysis of the independent variables has been conducted to identify the latent dimensions through confirmatory factor analysis. The regression was performed with the factor scores of each individual for the six latent variables which are trustworthiness of a store, perceived value for money, availability of a wide range of brands, overall satisfaction level, attractiveness of ambience and excellence in display. The results reveal that all these variables are significant. More than 30% of the variation in the store loyalty variable is explained by the factor scores of the latent dimensions influencing the dependent variable. It is quite obvious that the collinearity statistic would depict perfect values as there is no multi-collinearity in the original set of explanatory variables.

The regression was performed again for the organized sector with the factor scores of each individual for the six latent variables as mentioned above. The results substantiate the significance of all these variables. Satisfaction, although significant, does not seem to influence store loyalty to a great extent. Good ambience and attractive display are the

two factors which have the strongest impact on store loyalty. These factors are, to a large extent, instrumental in exerting a pull on customers toward the store. The pair wise correlation matrix demonstrates that the correlations are not very high for most of the variables except the following ones: ambience and value for money, availability and value for money and ambience and availability.

In a similar manner, regression was performed for the unorganized sector too, with the factor scores of each individual for the same set of six latent variables. Trust and Satisfaction seem to be the most important variables in ensuring store loyalty in the unorganized sector. These factors are, like the organized sector, instrumental in exerting a pull on customers toward the store. Display is not significant, which reveals that unorganized retailers do not have the opportunity to display their products properly owing to small size, shortage of shelf space and low scale of operation.

A hierarchical clustering program along with agglomeration schedule was used to categorize the respondents into a few possible numbers of clusters. Once the number of clusters was identified, in the subsequent stage a K-means clustering algorithm was used. In this process, the final cluster centres were attained. The final cluster centre contains the mean value for each variable in each cluster. In the subsequent paragraph the typologies of customers are summarized.

For organized retail, cluster 1 customers shop around for pleasure and amusement for which the store ambience is very important to this group of shoppers. Thus, this group of shoppers may be termed as High-End Recreational Shoppers. These shoppers are mostly executives having high disposable income and the proportional share of organized shopping is considerably high. Cluster 2 shoppers display reasonable store loyalty and are found to be value oriented. They do not consider that ambience and display of brands are very vital issues while choosing a particular store for shopping. These shoppers are price sensitive and exhibit a relatively high level of trust. This group of customers may be termed as Moderately Loyal Price Sensitive Shoppers. Shoppers belonging to cluster 3 portray modest amount of trust toward the organized retail stores and are not concerned with ambience and display of stores. However, the availability of wide variety of brands is important to this group of shoppers. They spend a substantial

proportion of their shopping budget in the unorganized retail. This group may be labeled as Variety Seeking Shoppers. Cluster 4 shoppers demonstrate a significantly low level of store loyalty. It is evident from final cluster centres that they are not much concerned about availability, display and ambience. Even this group of shoppers does not show signs of giving much importance to the satisfaction element. Quite characteristically, they can be termed as Unconcerned Shoppers. It is also revealed that shoppers belonging to this cluster spend less in the organized retail since they do not have much trust towards this format of retail.

Similar analysis was undertaken for the shoppers in the unorganized sector and it was found that cluster 1 shoppers in this group are moderately loyal to their stores but consider assortment of brands not that important a factor in choosing a store. They do not have much trust from where they shop and are sensitive to price charged by the retailers. This group may be termed as Moderately Loyal Expedient Shoppers. Cluster 2 shoppers are extremely loyal to their stores and have noticeably higher level of trust. Store ambience is a significant impelling factor. The data set further reveals that the shoppers mostly belong to A1A2 category of social class stratification. They may be termed as Trustworthy Loyal Shoppers. Shoppers belonging to cluster 3 consider availability of an extensive range of products as very important and do not display high level of loyalty towards any particular store. Store ambience is not important for them but they consider value for money a decisive factor in choosing a store. As such, this group can be designated as Smart Shoppers. On the other hand, cluster 4 shoppers are not bothered about the presence of most of the variables except for trust and loyalty. They have aversion for shopping from small stores and mostly shop from the organized stores spending more than 50% of their share of wallet. Thus, they may be labeled as Apathetic Shoppers.

5.5 Conclusion and Managerial Implications

Notwithstanding the fact that the Indian Retail is dominated by the unorganized format, this study guides through the two different retail segments presently operating in India and the patronage behavior of customers towards these segments. India is often referred as the nation of shopkeepers out of which the majority comprises small

neighborhood stores, also known as *kiranas*. According to Pandya and Bariya (2012) there are more than 12 million outlets operating in Indian, only 4% of them being larger than 500 sq ft in size. This offers a huge potential market for the organized retail companies to tap into. India's vast population comprising substantially of the middle class and its almost unexploited retail industry, are too lucrative for global retail giants to ignore (Khidir, 2011). However, the abundance of local *kirana* stores with their unassailable advantage of proximity and customer familiarity poses significant hurdle in the path of organized retail success.

This study reviewed various literature to understand the factors which affect the customer patronage behavior of various retail formats. This study tried to find the responses and patronage behavior of urban customers towards traditional as well as the modern retailers. The results reveal that all the variables included in the study are significant in at least one of the retail segments. Differences perceived by customers between the small stores and modern retailers are covered in the study to understand the influence of specific decision variables in the selection of a particular retail format. The inference is that factors like good ambience and attractive display drive a customer towards modern retailers while trust and satisfaction and the like attract customers towards small stores (Goswami and Mishra, 2009; Joseph and Soundararajan, 2009; Bandyopadhyaya and Sengupta, 2013; Singh, 2012). This understanding of the patronage behavior helps the modern retailers to strengthen the elements of their retail offerings which the customers value more. The data collected and its analyses were adequately able to provide answers for the research objectives of the study.

India has the highest retail density in the world which ensures that the customers of this country are certain to find a local retailer nearby, that too without having to incur any additional cost in product acquisition on account of conveyance charges. Thus, the attractiveness and ease of shopping at the local store are quite high. Apart from locational advantage, another factor creating patronage for *kirana* shops is more personalized services like home delivery and credit facility. The psychological advantages of being able to bargain and simultaneously also persuade the retailer to

exchange or return products are perceived to mostly exist at *kirana* shops. This happens due to customers' familiarity with the local store owner who is willing to be very flexible in extending such personalized services to his clientele. Neighborhood stores are also thought to be better on several other counts like phone-order facility, breaking bulk and lower price. *Kiranas* are also patronized by customers for being able to complete the purchase process in shorter time and the shop being accessible at extended hours. Having so many factors loaded against them, the organized stores would need some lucrative value propositions to wean away customers from the unorganized stores. Product choice happens to be the foremost value which the customers perceive very important for the modern retailers. Modern retailers will also have to ensure large merchandize assortment availability at their stores to enable urban customers fulfill their monthly requirement in one shopping trip so that they are not required to shop frequently from neighborhood *kirana* stores. This value will offset their increased cost in the buying products from the organized retailer and is expected to make hypermarkets or large supermarkets more successful in urban areas. Further, various analyses indicate that modern retail outlets have to strengthen their store-management skills to foster the customer's preference for them. Proper ambience, neat visual merchandizing, regular product availability, complimentary product layout and efficient check-out process will enhance the shopping experience for the customers. Another value-enhancer for the modern retailers can be extending value-added services (like phone-order and home delivery), goods exchange/return policy, packaging services, carry-bags, etc. Finally, an important factor which can lead to increased patronage at the modern retailers is customer relationship management (CRM) activities like loyalty bonus/discounts, special customer cards, free parking facility and so on. This study provides insights to the modern food and grocery retailers on how the urban consumers in India perceive their advantages/disadvantages, vis-à-vis traditional *kirana* stores. Organized retailers would do well to strengthen the above detailed value enhancers in their retail strategy so that they are able to overcome all the advantages and the age-old habits which still make customer patronize the traditional *kirana* stores.

The findings of this study could have significant implications for India's retailing industry. Store affect can be orchestrated by factors like store atmosphere and merchandize value equity which are amenable to control. As retailers can control a store's physical setting, for instance store atmosphere, they are able to use their resources to perk it up and achieve enhanced retail outcome (Ray and Chiagouris, 2009). To help create nice store atmosphere which catches the attention of customers, encourage them to make repeated shopping trips, expend larger share of wallet and time at the store, retailers should ensure impressive shopping experience by devoting resources in environment aesthetics in order to look different from competitors (Pine and Gilmore, 1999). Retailers need to focus on loyalty boosting strategies for engendering store loyalty like increasing merchandize value perceptions and improving store atmosphere on the whole.

Store loyal customers should be rewarded to create increased merchandize value perceptions. This can be achieved by activities like offering loyalty discounts, informing customers of savings should they choose to shop from the store, or using such tools like issuing loyalty cards, service personalization and community development among customers. Here, customer relationship management (CRM) can prove to be a very handy tool in providing augmented value for existing customers (Anić and Radas, 2006). Retailer must also strive to provide customers with comprehensive information about products and warranties (Bloemer and Ruyter, 1997) which goes to increase store merchandize value propositions. With regard to demographic factors, retailer should focus more on younger customers because 51+ years old respondents score highest in trust which progressively deteriorates as age of the respondents decrease. Retailers should thus strive to attract increasing number of younger customers in their fold by incorporating those elements that draw them towards their stores. Retailers should also make every effort to retain the loyalty of their women customers in general as findings indicate that women tend to score higher on store loyalty than men. The main business goal of any retailer should be to attain competitive edge by forging strong relationships with customers (Ray and Chiagouris, 2009). It is observed that loyalty is the foundation of long term relationship between retailers and customers which is beneficial to both (Zeithaml, Berry and Parasuraman, 1996) and it has been empirically established that

customer acquisition costs such as promotions, discounts and advertising are considerably higher than customer retention costs, such as consistent quality, service and variety (Reichheld and Teal, 1996). Thus, retailers need to emphasize on strategies which generate positive store effect and promote store loyalty in their customers by improving store atmosphere, crafting attractive layout or through emotionally appeal oriented store advertising (Ray and Chiagouris, 2009). It is essential to explore symbolic store image in customers' minds in addition to customer self-image characteristics (He and Mukherje, 2007) to help locate potentially loyal customers,. Moreover, retailers should communicate store characteristics to target customers.

5.6 Limitations and Future Scope of Study

The present study may not be generalized as it is limited to the four metros and few tier I, II and III cities and towns of India, which however is the most potent area for organized retail having the highest population density and per capita income. There is scope for further research including a larger number of cities and towns to see what strategies do traditional and modern retailers need to adopt in order to sustain and grow. It is also possible for a future researcher to conduct a study for understanding patronage behavior for any of the subcomponents of retail trade separately. It is likely that store loyalty of customers may vary across different parts of country, different stores and different store formats (*kiranas*, supermarkets, discount stores). Owing to constraints of time and other resources, it was unfeasible to adopt the random sampling technique. Instead the study covered a cross section of respondents based on a convenience sampling technique due to obvious reasons, the foremost amongst which is that the respondents in general are reluctant to provide responses on lengthy multiple choice questionnaires. Other reasons include logistic related constraints of deploying manpower in various cities and towns across India to contact the respondents and collect the data, considerable monetary resources needed to persuade the respondents to cooperate, time constraint for collection of data and so on. Further, sample was collected at one point of time; it would be worthwhile to investigate store loyalty over time in order to define dynamics in store customer patronage behavior, for instance during recession and after recession (Bloemer and Ruyter, 1997). Present study

investigates few store loyalty drivers, thus an important goal for future researchers could be to investigate other determinants of store loyalty, such as commitment, involvement, convenience, habit, time costs, perceived value of competing stores etc. As for demographic factors, it would be interesting to examine relationships between household size, customers education level and store loyalty. This would provide more complete understanding of customers' store loyalty (Ray and Chiagouris, 2009). Present study is focused on store loyalty determinants. Future research should focus also on store loyalty outcomes such as word of mouth, willingness to pay and customer share (Ray and Chiagouris, 2009). It would be useful to undertake qualitative research in order to examine characteristics associated with a specific store because customers may see specific store differently than respondents did. In terms of measurement method, it might be a good idea for future researchers to investigate store loyalty relationship with social congruity and ideal social congruity using direct measurement method instead of indirect method (Sirgy and Samli, 1985), thus asking respondents direct questions like how they perceive the congruence between their self-concepts and store image among a range of dimensions. If indirect method is used, customers probably may not understand the reason why they are asked to answer a question about themselves among many questions about store. Customer might get confused, so it is possible that he or she will not give true answers.

The Indian retail industry is on the verge of new retail reforms that are about to unfold facilitated by FDI coming into the country. With time, the global players will be able to adapt to the different shopping behavior variables mentioned above in terms of rural and urban population across India with wider heterogeneous groups. As the study focuses on the different broad concepts of retail formats, it becomes very effective and necessary to study whether these formats are acceptable by the consumer markets. Thus it is very important to develop a customer profiling model using the demographic and sociological factors to study consumption pattern in determining retail format choice by keeping the perceived risk variables into consideration as the consumers are more apprehensive about the risk factors involved during buying. Retail players should also keep in mind that huge latent opportunity resides at the bottom of the pyramid

comprising of majority of population still residing in the smaller towns and villages of India and find out whether these consumers are willing and ready to accept the different formats and channels of retail in India by studying their purchase behavior on a continuous basis. The ideal setting would be to propose a co-existence model for both unorganized and organized retail formats in India which in turn would benefit the overall performance of different retail players. Looking at the Indian consumers, they are more inclined towards the unorganized retail format due to demographic and sociological factors like education, religious belief, type of purchase, the type of product they utilize, their daily requirement and technology in terms of the channel they select to purchase and buy. The Indian retail experience has gone beyond the traditional store and includes numerous touch points such as online stores, social networks, call centres, etc. As the inception of the FDI into the Indian markets have boosted the Indian local players to be more focused on quality and customer preferences, adequate steps should also be taken to see that the system should be developed and implemented in a way that would incorporate parameters like trust, security and data privacy which can be effectively preserved during the transaction through online format.

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Surcharge is applicable @ 5% if the total income is in excess of ₹ 10,000,000 and education cess is applicable @ 3% on income tax (inclusive of surcharge, if any) vide Income-Tax Act, 1961[43 Of 1961] [As Amended By Finance Act, 2008], available at [http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20\(en\).pdf](http://www.intaxinfo.com/pdf/law_by_country/India/Income%20Tax%20Act%201961%20(en).pdf) accessed on December 8, 2013

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 - b. exercise 50% or more of the voting rights in the other enterprise; or
 - c. control the management or affairs of the other enterprise.
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APPENDICES

Appendix-I

Questionnaire

1. Your Age:
Below 20 years 21-to-30 years 31-to-40 years 41-to-50 years Above 50 years
2. Your Occupation
If employed then, If unemployed then,
Service
Executive Student
Non Executive House Wife
Business
No. of Employees: 1-to-9 10+
3. Your Education: Below Graduation Graduate Post Graduate
4. Your Net Income from all sources :
Up-to- 15,000 15,001-to-30,000 30001-to-45000 45001-to-60000 60001-to-75,000
Above 75,000
5. Your Gender: Male Female
6. You are: Single Married
7. Where do you shop from? Supermarket(s)/Organized Store(s) Yes No Small Stores Yes No
8. Do you shop from multiple stores? Yes No
9. What is your average monthly shopping budget?
Below 5000 5001-to-15000 15001-to-25000 25001-to-35000 35001-to-45000 Above 45000
10. What percent of your shopping budget do you spend in Supermarket(s)/Organized Store(s)?
Up to 25 % 26-to-50 51-to-75 76-to100
11. Please specify your response on the statements given below when you shop from Organized Store(s):

| | Very Strongly Agree | Strongly Agree | Agree | Disagree | Strongly Disagree | Very Strongly Disagree |
|--|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| TRUST | | | | | | |
| Store X gives me a feeling of confidence | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I have faith in store X | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is honest in its dealing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| AMBIENCE | | | | | | |
| Store X has nice atmosphere | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X is clean, tidy and modern looking | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X looks bright and attractive | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| VALUE FOR MONEY | | | | | | |
| The merchandize sold in store X is a good value for money | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Only high quality products are sold in store X at better price | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I get more in store X for the same amount spent in other stores | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| DISPLAY | | | | | | |
| Store X has very attractive merchandize display value for money | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Display in Store X makes it very convenient to locate items I want to purchase | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Store X allocates proportionate display for different kinds of products | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

SATISFACTION

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Store X understand my needs better than other stores | <input type="radio"/> |
| Store X offers quick billing service | <input type="radio"/> |
| Store X has friendly staff who are always willing to help | <input type="radio"/> |

AVAILABILITY

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| A good selection of products was present in store X | <input type="radio"/> |
| Advertised merchandize is in stock in store X | <input type="radio"/> |
| Store X has stock of some products which are not available in other stores | <input type="radio"/> |

STORE LOYALTY

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I consider myself loyal to store X | <input type="radio"/> |
| Store X comes to my mind first whenever I intend to purchase something | <input type="radio"/> |
| I repeat purchase from store X | <input type="radio"/> |

12. Please indicate whether the following factors are important when you shop from retail Store(s)?

Fast Service Yes No Empathy Yes No Location Yes No

13. Please specify your response on the statements given below when you shop from Unorganized Store(s):

| | Very Strongly Agree | Strongly Agree | Agree | Disagree | Strongly Disagree | Very Strongly Disagree |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| TRUST | | | | | | |
| Store X gives me a feeling of confidence | <input type="radio"/> |
| I have faith in store X | <input type="radio"/> |
| Store X is honest in its dealing | <input type="radio"/> |
| AMBIENCE | | | | | | |
| Store X has nice atmosphere | <input type="radio"/> |
| Store X is clean, tidy and modern looking | <input type="radio"/> |
| Store X looks bright and attractive | <input type="radio"/> |
| VALUE FOR MONEY | | | | | | |
| The merchandize sold in store X is a good value for money | <input type="radio"/> |
| Only high quality products are sold in store X at better price | <input type="radio"/> |
| I get more in store X for the same amount spent in other stores | <input type="radio"/> |
| DISPLAY | | | | | | |
| Store X has very attractive merchandize display value for money | <input type="radio"/> |
| Display in Store X makes it very convenient to locate items I want to purchase | <input type="radio"/> |
| Store X allocates proportionate display for different kinds of products | <input type="radio"/> |

SATISFACTION

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Store X understand my needs better than other stores | <input type="radio"/> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

- | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Store X offers quick billing service | <input type="radio"/> |
| Store X has friendly staff who are always willing to help | <input type="radio"/> |

AVAILABILITY

- | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| A good selection of products was present in store X | <input type="radio"/> |
| Advertised merchandize is in stock in store X | <input type="radio"/> |
| Store X has stock of some products which are not available in other stores | <input type="radio"/> |

STORE LOYALTY

- | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I consider myself loyal to store X | <input type="radio"/> |
| Store X comes to my mind first whenever I intend to purchase something | <input type="radio"/> |
| I repeat purchase from store X | <input type="radio"/> |

14. In case you shop from multiple Stores please indicate the reason(s) for the same?

Organized Store

Unorganized Store

- | | | |
|---------------------------------------|-----------------------|-----------------------|
| Better Price | <input type="radio"/> | <input type="radio"/> |
| Specialization | <input type="radio"/> | <input type="radio"/> |
| Proximity | <input type="radio"/> | <input type="radio"/> |
| Different Ambience | <input type="radio"/> | <input type="radio"/> |
| Better Variety | <input type="radio"/> | <input type="radio"/> |
| Parking Space | <input type="radio"/> | <input type="radio"/> |
| Discounts/Promotional Offers/Benefits | <input type="radio"/> | <input type="radio"/> |
| Entertainment Factors | <input type="radio"/> | <input type="radio"/> |
| Better Quality | <input type="radio"/> | <input type="radio"/> |

15. My Location (Name of the city only):

Appendix 2

Kruskal Wallis Test Statistics^{a,b} (Grouping Variable: Age)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. Store Loy |
|-------------|--------------|-----------------|--------------|---------|----------|--------------|---------------|--------------|-----------|---------------------|----------------|-----------------|---------------------|------------------|
| Chi-Square | 4.658 | 2.253 | 8.953 | 3.894 | 2.937 | 5.557 | 4.515 | 5.038 | 7.560 | 3.295 | 3.465 | 5.924 | 5.186 | .515 |
| df | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Asymp. Sig. | .199 | .522 | .030 | .273 | .401 | .135 | .211 | .169 | .056 | .348 | .325 | .115 | .159 | .916 |

a. Kruskal Wallis Test

b. Grouping Variable: Age

Appendix 3

Median Test Statistics (Age)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. Store Loy |
|-------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| N | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 |
| Median | 13.00 | 13.00 | 12.00 | 12.00 | 11.00 | 10.00 | 15.00 | 12.00 | 10.00 | 11.00 | 9.00 | 10.00 | 9.00 | 13.00 |
| Chi-Square | 3.639 ^a | 1.554 ^b | 8.009 ^c | 1.590 ^d | 2.013 ^e | 3.769 ^f | .936 ^g | 3.394 ^h | 2.243 ⁱ | 6.424 ^j | 5.072 ^k | 3.500 ^l | 3.893 ^m | 2.376 ⁿ |
| df | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Asymp. Sig. | .303 | .670 | .046 | .662 | .570 | .288 | .817 | .335 | .524 | .093 | .167 | .321 | .273 | .498 |

Appendix 4

Kruskal Wallis Test Statistics^{a,b} (Grouping Variable: Occupation)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. Store Loy |
|-------------|--------------|-----------------|--------------|---------|----------|--------------|---------------|--------------|-----------|---------------------|----------------|-----------------|---------------------|------------------|
| Chi-Square | 43.930 | 23.388 | 92.236 | 3.096 | 20.134 | 15.988 | 18.318 | 61.649 | 26.475 | 19.210 | 33.901 | 51.728 | 3.508 | 36.067 |
| df | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Asymp. Sig. | .000 | .000 | .000 | .377 | .000 | .001 | .000 | .000 | .000 | .000 | .000 | .000 | .320 | .000 |

a. Kruskal Wallis Test

b. Grouping Variable: Occupation

Appendix 5

Median Test Statistics (Occupation)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg.Satisfaction | Unorg. StoreLoy |
|-------------|---------------------|--------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| N | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 |
| Median | 13.00 | 13.00 | 12.00 | 12.00 | 11.00 | 10.00 | 15.00 | 12.00 | 10.00 | 11.00 | 9.00 | 10.00 | 9.00 | 13.00 |
| Chi-Square | 42.519 ^a | 9.417 ^b | 60.744 ^c | 23.098 ^d | 19.491 ^e | 8.985 ^f | 14.813 ^g | 55.453 ^h | 27.377 ⁱ | 15.671 ^j | 39.889 ^k | 46.381 ^l | 2.296 ^m | 29.664 ⁿ |
| df | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Asymp. Sig. | .000 | .024 | .000 | .000 | .000 | .029 | .002 | .000 | .000 | .001 | .000 | .000 | .513 | .000 |

Appendix 6

Kruskal Wallis Test Statistics^{a,d} (Grouping Variable: Income)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg.Satisfaction | Unorg. StoreLoy |
|-------------|--------------|-----------------|--------------|---------|----------|--------------|---------------|--------------|-----------|---------------------|----------------|-----------------|--------------------|-----------------|
| Chi-Square | 54.547 | 65.012 | 17.924 | 54.263 | 64.926 | 30.179 | 8.142 | 19.043 | 17.284 | 7.070 | 25.814 | 53.895 | 3.742 | 18.468 |
| df | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Asymp. Sig. | .000 | .000 | .003 | .000 | .000 | .000 | .149 | .002 | .004 | .215 | .000 | .000 | .587 | .002 |

a. Kruskal Wallis Test

b. Grouping Variable: Income
p.m.

Appendix 7

Median Test Statistics (Income)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg.Satisfaction | Unorg. StoreLoy |
|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| N | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 |
| Median | 13.00 | 13.00 | 12.00 | 12.00 | 11.00 | 10.00 | 15.00 | 12.00 | 10.00 | 11.00 | 9.00 | 10.00 | 9.00 | 13.00 |
| Chi-Square | 38.365 ^a | 26.721 ^b | 24.319 ^c | 29.373 ^d | 59.972 ^e | 27.328 ^f | 3.617 ^g | 19.642 ^h | 14.307 ⁱ | 4.408 ^j | 22.494 ^k | 35.527 ^l | 5.411 ^m | 13.346 ⁿ |
| df | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Asymp. Sig. | .000 | .000 | .000 | .000 | .000 | .000 | .606 | .001 | .014 | .492 | .000 | .000 | .368 | .020 |

Appendix 8

Kruskal Wallis Test Statistics^{a,b} (Grouping Variable: Shopping Budget)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. StoreLoy |
|-------------|--------------|-----------------|--------------|---------|----------|--------------|---------------|--------------|-----------|---------------------|----------------|-----------------|---------------------|-----------------|
| Chi-Square | 53.539 | 69.961 | 18.496 | 49.761 | 72.570 | 34.105 | 13.397 | 20.448 | 14.694 | 8.390 | 24.339 | 44.272 | 1.406 | 16.432 |
| df | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Asymp. Sig. | .000 | .000 | .002 | .000 | .000 | .000 | .020 | .001 | .012 | .136 | .000 | .000 | .924 | .006 |

a. Kruskal Wallis Test

b. Grouping Variable:
Shopping budget

Appendix 9

Test Statistics(Shopping budget)

| | Trust of Org | Value for money | Availability | Display | Ambience | Satisfaction | Store Loyalty | Unorg. Trust | Unorg. VM | Unorg. Availability | Unorg. Display | Unorg. Ambience | Unorg. Satisfaction | Unorg. StoreLoy |
|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| N | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 | 411 |
| Median | 13.00 | 13.00 | 12.00 | 12.00 | 11.00 | 10.00 | 15.00 | 12.00 | 10.00 | 11.00 | 9.00 | 10.00 | 9.00 | 13.00 |
| Chi-Square | 38.890 ^a | 30.247 ^b | 19.538 ^c | 24.363 ^d | 64.097 ^e | 30.151 ^f | 7.566 ^g | 20.899 ^h | 13.670 ⁱ | 6.028 ^j | 20.759 ^k | 33.493 ^l | 4.028 ^m | 10.683 ⁿ |
| df | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Asymp. Sig. | .000 | .000 | .002 | .000 | .000 | .000 | .182 | .001 | .018 | .304 | .001 | .000 | .545 | .058 |

Appendix 10

Wilcoxon Signed Ranks Test Statistics^b

| | Unorg. Trust - Trust of Org | Unorg. VM - Value for money | Unorg. Availability - Availability | Unorg. Display - Display | Unorg. Ambience - Ambience | Unorg. Satisfaction - Satisfaction | Unorg. StoreLoy - Store Loyalty |
|------------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------|----------------------------|------------------------------------|---------------------------------|
| Z | -3.238 ^a | -14.581 ^a | -6.020 ^a | -11.709 ^a | -8.137 ^a | -2.529 ^a | -8.015 ^a |
| Asymp. Sig. (2-tailed) | .001 | .000 | .000 | .000 | .000 | .011 | .000 |

a. Based on positive ranks.

b. Wilcoxon Signed Ranks Test

Appendix 11

Sign Test Statistics^a

| | Unorg. Trust - Trust of Org | Unorg. VM - Value for money | Unorg. Availability - Availability | Unorg. Display - Display | Unorg. Ambience - Ambience | Unorg. Satisfaction - Satisfaction | Unorg. StoreLoy - Store Loyalty |
|----------------------------|--------------------------------|--------------------------------|---------------------------------------|-----------------------------|-------------------------------|---------------------------------------|------------------------------------|
| Z | -2.650 | -15.173 | -5.110 | -9.684 | -7.705 | -2.539 | -6.587 |
| Asymp. Sig. (2- tailed) | .008 | .000 | .000 | .000 | .000 | .011 | .000 |

a. Sign Test

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