

FACTORS DETERMINING CONSUMER PREFERENCES OF SHOPPING AT ORGANIZED RETAIL STORES IN BHUBANESWAR CITY

***Dr. Priyanka Tripathy**

ABSTRACT

Retail Revolution is sweeping through India. With retail ambiances getting upgraded, clearly the scruffy neighborhood kirana stores are becoming the past for hypermarket customers. With the growth of malls, multiplexes and hypermarkets, the customer is being exposed to a new kind of shopping experience and services that are surely redefining the expectations from shopping. Over the last decade, organizations of all types and sizes have increasingly come to understand the importance of customer satisfaction. It is widely understood that it is far less costly to keep existing customers than it is to win new ones. Retailers replied back by aggressively adding new stores, launching new concepts, building an online presence, and expanding internationally. The present study endeavored to identify the major factors affecting customer satisfaction of organized retail stores. The study used Factor Analysis to reveal Store Attributes, Product Attributes, Location Attributes, Quality Attributes and Service Attributes as the drivers which influence shopping at organized retail stores.

Keywords: Multiplex, Online purchase, Customer satisfaction, Factor analysis.

Introduction

Retailing starting from scratch, has grown tremendously. Retail sector has evolved as the major source of employment across India including rural parts of the country. Retail sector adds to the 10% of GDP of the country. The growth of this sector is 5% (CAGR) which is the highest. The organized retail industry in India had not evolved till the early 1990s. at this point of time the industry was dominated by the unorganized sector. Retailing was considered as a seller's market with a limited number of brands and customers with negligible choice. Lack of trained manpower, tax laws and government regulations, consumer awareness and restrictions for the entry of foreign players delayed the growth of organized retailing.

* **Dr. Priyanka Tripathy**, Lecturer, Department of ITM, Ravenshaw University, Email: priyaimba.tripathy@gmail.com

Objective

- To analyze the factors influencing consumer preferences of shopping at organized retail stores.

Literature Review

After thorough study by the researchers, it was found that a lot of work has been done with reference to parameters or attributes that affect evaluation of store by consumer.

Koshy et al. (2007) define retailing as “Retailing involves a direct interface with the customer and co-ordination of business activities from end-to-end”. At the same time, organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered under regulatory authorities. They include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. The customers get various standardized products and services from the organized retail markets.

Aggarwal (2007) studied the development in the Indian retail sector and found the catalytic effect on the growth of Indian economy. The effects could be summarized as employment generation, growth of real estate, Increase in disposable income and development of retail ancillary market.

(Dawson, 1988) found that the growth of the organized retail sector puts pressure on the unorganized retail sector. Accordingly, as the economy and society has changed, so have retailers and shopping habits of consumers has also altered enormously.

Covin & Covin (1990) stated that small business should adopt strategies like product customization and specialization and enhanced customer service in order to face the pressure of the organized retail sector.

Doyle & Fenwick (1975), proposed that price, product variety, one-stop shopping, quality, location of the store, advertisement, general appearance of the store and convenience are some major attributes looked upon by the consumers while evaluating a grocery store.

Martineau (1958) divided stores attributes in two categories i.e. functional and psychological. Location, assortment of products and store layout comes under the functional attribute. The feelings generated by the functional attributes comes under the psychological category.

Marx Njmm et al. (2006) found that the dissatisfaction of the customers was mainly due to staff related matters. At the same time they were satisfied with the product and the ambiance of the stores.

In a study conducted by Morganosky (1997), on the structural changes in the retail markets and their implications on consumers revealed that the organized retail sector created a very complex system of chains that attracted the customer heavily. This type of marketing strategies were not possible to be adopted by the small retails. Thus, the small retailers were unable to face the pressure of the organized retailers.

Mc Gee (1996) was also of the view that small retailers facing threat from new large discounters, responded with lower prices and increased promotions.

The model proposed by Seth (1981), explained the competitive structure of the retail markets, the corporate image of the retailers, and the marketing activities that influenced the retailers accessibility.

Wong et al. (2003) concluded that service quality was positively associated with customer loyalty. While regression analysis was used on individual district basis to conclude that empathy influenced customer loyalty most in city-district and tangibles did so in country district.

The above review of literature reveals that most of the papers were focusing on the problems of the retailers. But a detailed study was required for the factors that affected the buying preferences at the large retail stores.

Research Method

The research study included the instrument used for the study, the sampling method and statistical tools applied for the research work.

Research Instrument

A questionnaire was developed with the help of the literature review. It consisted of 20 close-ended questions which consisted related factors the customers see in the retail outlets. The questionnaire was based on 5-point Likert Scale. The respondents were asked to rate all these statements from 1 to 5 scales which had been assigned with the following weights: Highly significant=5, significant=4, Neutral=3, Insignificant=2, Highly Insignificant=1

Sample

For collecting data, convenience sampling method was used. Data was collected from 5 major retail outlets of Bhubaneswar. Retail stores were Big Bazaar, Pantaloons, The World, Vishal Mega Mart and Reliance Fresh. These were selected due to their high growth in the city. 250 consumers were interviewed from sampled retail outlets. Out of which 200 were included. Due to inconsistencies in responses and incompleteness of answers, 50 were excluded.

Statistical Tool

To analyze the data, factor analysis, was applied. SPSS-20.0 was used for data input and analysis. Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors.

Factor Analysis

The starting point of factor analysis is a correlation matrix, in which the inter correlations between the studied variables are presented. The dimensionality of this matrix can be reduced by looking for variables that correlate highly with a group of other variables, but correlate every badly with variables outside of that group (Field 2000: 424). These variables with high inter correlations could well measure one underlying variable, which is called a ‘factor’.

Data Analysis Techniques

This analysis of data consists of seven main steps: reliable measurements, correlation matrix, factor analysis versus principal component analysis, the number of factors to be retained, factor rotation, and use and interpretation of the results.

1. Measurement

Since factor analysis departs from a correlation matrix, the used variables should first of all be measured at (at least) an interval level. Secondly, the variables should roughly be normally distributed; this make it possible to generalize the result of your analysis beyond the sample collected (Field 2000: 444). Thirdly, the sample size should be taken into consideration, as correlations are not resistant and can be hence seriously influence the reliability of the factor analysis.

2. Correlation Matrix

When the data are appropriate, it is possible to create a correlation matrix by calculating the correlations between each pair of variables. In this matrix two clusters of variables with high inter correlations are represented. As has already been said before, these clusters of variables could well be manifestations of the same underlying variable (Rietveld and Van Hout 1993:255). The data of this matrix could then be reduced down into these two underlying variables of factors.

3. Factor Analysis versus Principal Component Analysis

After having the correlation matrix, it is time to decide which type of analysis to use: factor analysis or principal component analysis. The main difference between these types of analysis lies in the way the communalities are used. In principal component analysis it is assumed that the communalities are initially. In other words, principal component analysis assumes that the total variance of the variables can be accounted for by means of its components, and hence that there is no error variance.

4. Number of Factors to be retained

This is similar to the number of positive Eigen values of the correlation matrix. This may, however not always lead to the right solutions, as it is possible to obtain Eigen value that are positive but very close to zero. According to Rietveld and Van Hout (1993:260) there are some rules of thumb have been suggested for determining how many factors should be retained:

- a. Retain only those factors with an Eigen value larger than 1.
- b. Keep the factors which, in total, account for about 70-80% of the variance.
- c. Make a scree-plot; keep all factors before the breaking point or elbow.

5. Factor Rotation

After factor extraction it might be difficult to interpret and name the factors / components on the basis of their factor loadings. Remember that the criterion of principal component analysis that the first factor accounts for the maximum part of the variance; this will often ensure that most variables have high loadings on the most important factor and small loadings on all other factors (Field 2000: 438).

6. Results: Factors Loadings and Factor Scores

Factors loadings are important for the interpretation of the factors, especially the high ones. One can wonder, however how high a loading has to be in order to determine the interpretation of the factor in significant way. This is dependent of the sample size, the bigger the sample the smaller the loadings can be to be significant.

7. Data interpretation & Analysis

This section provides the findings from the analysis and the discussion to describe in depth of the findings. The data gathered from questionnaires are analyzed using the Factors Analysis tool. Tables and figures are used to provide descriptions of the findings.

Data Analysis & Results

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. Cronbach's alpha is not a statistical test-it is a coefficient or reliability i.e., consistency. 20 numbers of items have been inducted to scale and test the reliability. The Cronbach's Alpha value is 0.887. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at the Table 1, the KMO measure is 0.823. From the same table we can see that the Bartlett's test of sphericity was significant. That is, its associated probability is less than 0.05.

Table 1: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.823
Bartlett's Test of Sphericity	Approx. Chi-Square	2851.349
	df	190
	Sig.	.000

The total variance explained in Table 2 shows all the factors extractable from the analysis along with their Eigen values, the percent of variance attributable to each other, and the cumulative variance of the factor and the previous factors.

Table 2: 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	7.235	36.173	36.173	7.235	36.173	36.173	6.184	30.921	30.921
2	2.707	13.537	49.710	2.707	13.537	49.710	3.198	15.992	46.913
3	2.172	10.858	60.568	2.172	10.858	60.568	2.250	11.248	58.161
4	1.238	6.190	66.758	1.238	6.190	66.758	1.429	7.143	65.304
5	1.044	5.220	71.978	1.044	5.220	71.978	1.335	6.674	71.978
6	.923	4.615	76.593						
7	.731	3.654	80.247						
8	.684	3.419	83.667						
9	.627	3.133	86.800						
10	.479	2.394	89.194						
11	.442	2.211	91.405						
12	.356	1.781	93.186						
13	.330	1.649	94.835						
14	.240	1.202	96.036						
15	.203	1.013	97.050						
16	.177	.883	97.933						
17	.129	.644	98.576						
18	.123	.613	99.189						

19	.095	.477	99.666						
20	.067	.334	100.000						
Extraction Method: Principal Component Analysis.									

The idea of rotation is to reduce the number of factors on which the variables under investigation have high loadings. Rotated component matrix provides sufficient evidence that all the variables can be segregated into six factors. Table 3 depicts the derived factors which are explained below:

Table 3: Rotated Component Matrix^a					
Variables	Component				
	1	2	3	4	5
Convenient Shopping Hours	.873				
Air-Conditioned Stores	.866				
Pleasant Ambience	.849				
Sufficient billing counters on each floor	.843				
Fast Check-Outs	.843				
Nice in-store Promotions	.842				
Good Parking Facility	.837				
Complete Security	.836				
Assortment of Merchandise		.845			
Bundling Offers		.793			
Exchange Facilities		.733			
Easy Availability of Products		.696			
Variety of Brands		.435			
Products available under one roof			.827		
Situated in nearby population concentration			.814		
Home Delivery			.568		
Fresh Vegetables				.700	
Good Quality Products				.558	
Behavior of salespersons					.340
Helpful Staff					.130
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 9 iterations.					

After deducting the dimensions, the five factors which have been extracted are narrated hereby.

- F1:** While observing the results, variables like Convenient Shopping Hours, Air Conditioned Stores, Pleasant Ambience, Sufficient Billing Counters on Each Floor, Fast Check-Outs, Nice in-store Promotions, Good Parking Facility and Complete Security have loadings of 0.873, 0.866, 0.849, 0.843, 0.843, 0.842, 0.837 and 0.836 on factor F1 respectively. Therefore, this factor can be interpreted as “Store Attributes”.
- F2:** As it is clear from Table 3, statements like Assortment of Merchandise, Bundling Offers, Exchange Facilities, Easy Availability of Products and Variety of Brands have loadings of 0.845, 0.793, 0.733, 0.696 and 0.435 represented by factor F2 has been named as “Product Attributes”.
- F3:** Table 3 indicates three statements, namely, Products available under one roof, Situated in nearby population concentration and Home Delivery having loadings of 0.827, 0.814 and 0.568. has been interpreted and named as “Location Attributes”.
- F4:** The pattern of factor loading for interpreting factor 4 variables like Fresh Vegetables and Good Quality Products has the loadings of 0.700 and 0.558. So, this variable comes under the heading of “Quality Attributes”.
- F5:** The pattern of factor loading for interpreting factor 5 variables like Behavior of salespersons and Helpful Staff has the loadings of 0.340 and 0.130 and so this variable comes under the heading of “Service Attributes”.

Findings and Recommendations

There are few findings which have been extracted while analyzing the data. The review of this study found that there are five components that can be drawn, which are Store Attributes, Product Attributes, Location Attributes, Quality Attributes and Service Attributes which influence consumer perceptions of shopping at organized retail stores. As we all know that the retail stores nowadays have got cut throat competition, in such a scenario, the retailers should learn the buying behavior as well as the preference of the customers. The knowledge of these factors is helpful to the retailers to formulate new strategies and attract more and more consumers. Today’s customer wants astonishing experience of overall shopping in these stores. In Bhubaneswar, it had been a new experience for the people who are from the nearby small towns. Day-by-day the consumers are in continuous practice of purchasing the grocery and vegetable items from retail stores. The retailers have also changed their strategies to get in more and more customers. They need to make more changes for the customers who are not frequently visiting the stores. Thus, the consumers like to move up to such stores for the entertainment or to get rid of their stressful life. These stores should also focus on improving the convenience of the consumers. They should try to attract new consumers and also retain the existing ones by adopting promotional offers. There is very huge potential for the growth of organized retailing in India. By following some of the strategies it can

rise tremendously and can reach each and every nook and corner. Open communication should be established between functional departments. A balance should be maintained between brand building and promotion. Non-marketing factors like gas prices, weather etc. should be avoided and new schemes should always be launched. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian retail industry is gradually inching its way towards becoming the next boom industry.

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