Drivers of Store Choice in Departmental Stores

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ABSTRACT One of the highly growing sectors in the Indian economy is 'Retail Sector'. Indian market is a huge market with majority of middle income group with more spending capacity. Indian consumers' nowadays are expecting a better service quality day by day. Unlike their western counterparts, Indian consumers do not complain about the poor service, but they simply go to the next store. So it is mandatory to proactively understand about the existing customer satisfaction and their expectations. Chennai city is considered for the current study and leading departmental stores across the city was selected for a 'respondent intercept' study. The data collected was analysed using statistical tools. The study's outcome suggests that customers give priority to brand availability, price, quality and store environment.

Introduction

Today's "retail store" is built around customers, not commodities Aruna, 2011. Due to high competition among the retail stores, today's consumers face a broad range of choices in the marketplace for how they use their resources, time, and the retail outlets available to them. A.T.Kearney in its 9th annual Global Retail Development Index (GRDI) 2010 has ranked India as the 3rd most attractive nation for retail investment among 30 emerging markets. Strong underlying economic growth, rapid population expansion, the increasing wealth of individuals (spending money) and the rapid construction of organised retail infrastructure are key factors behind the forecast growth. The growth in the overall retail market will be driven largely by the explosion in the organised retail market.

A departmental store normally sells grocery, fresh, cut vegetables, fruits, frozen foods, toiletries, cosmetics, small utensils, cutlery, stationery and Gift items with give and take some items. The fast pace of the Indian retail industry presents many companies with a host of daily challenges. In today's competitive environment and with the growing importance of services, delivering high quality services has become the basic retailing strategy. Store managers' should keep in mind that customer expectations always change and it is only the satisfied customers will be loyal.

Problem statement

There is a huge gap in understanding the Chennaiites patronising behaviour towards departmental stores. Only 6% of the FMCG sector is organised and there is immense potential (about 94%) for the retail managers to tap in this sector. Moreover, there is not much study done in this area in particular in Chennai. It has become a basic necessity for the marketers to understand the existing growth of the organised retail sector and the store patronising pattern of the consumers. Understanding these will enhance the chances of survival and to increase profitability of the store.

Objectives

→ To identify the drivers of store format choice.
→ To understand consumers' store patronising pattern.
→ To estimate the factor contribution in store format choice decision making.

Literature Review

Richards (2005) opine that as more and more people are aware of the availability of different product brands, they would like to cherry pick their favourite brand. According to Haelsig (2007), the image of the department store is an important factor in deciding the selection of stores that has an impact on loyalty of the customer directly. Vieira et al (2007) found that, Price is conceptualized as the price paid compared to quality received and other competitors. Therefore many stores have a price as a strategic tool to increase loyalty among customers. Indrayani (2008) found that price has a greater impact. Mariri (2009) on in-store shopping environment on impulsive buying among consumers found that it can be implied, therefore, that poor people were more likely to do impulsive buying for economic reasons rather than for hedonic reasons. Pankaj (2011), in an attempt to understand the changing behaviour of the Indian consumers and their impact on the product purchase finds that "There are changes that are seen are in the form of increase in consumption, change in consumer preferences, buying behaviour, social influences, the way consumer shop, the reasons behind that, the type of products consumers buy etc. All these trends are important and show us the path as to how the consumer's behaviour is impacting their product purchase."

Methods

For the purpose of the current study, leading departmental stores in Chennai were selected. Reliance, Spencer's, Nilgiris, FoodWorld, More and other popular departmental stores specific to the locality was considered. Totally, 646 respondents were intercepted to collect information. Out of 646 respondents 621 were valid and taken for current study. All variables with 30 items had a value of 0.706. The reliability results were found acceptable. The convergent and discriminant validity test was performed on the data and found to be valid.

Study Hypotheses

Hypothesis (1) There is no significant relationship between the respondents patronising various departmental stores and age**.**

Hypothesis (2) There is no significant relationship between the respondents' patronising various departmental stores and occupation.

Hypothesis (3) There is no significant relationship between the respondents' patronising various departmental stores and annual family income.

Hypothesis (4) There is no significant relationship between the respondents' patronising various departmental stores

and educational qualification.

Hypothesis (5) There is no significant relationship between the respondents' patronising various departmental stores and number of household members.

Hypothesis (6) There is no significant relationship between the respondents' patronising various departmental stores and number of visits to the departmental store

Model – Store format choice

The inputs of the decision making process in selecting format of the store are Availability of multi-brand, store distance, Physical aspect of the store, Store image, Offers & discounts, Price, shopping duration and Quality are the stores' input for the decision making and occupation, income and education.

All consumers have an ideal brand-quantity that they would like to buy in each product category. If the consumers cannot find their ideal brand-quantity at a store, then from the available brand- quantity they buy the brand- quantity that is nearest to their ideal. The cost of buying less than ideal would be increasing in the distance between the consumer's ideal brand- quantity and the nearest available brand- quantity at a store. This cost, i.e., depth cost, would be more in stores with lower depth of assortment, i.e., convenience stores, as opposed to departmental store. Now, the format where the consumer incurs higher time cost will have to offer some incentive to the consumer. And the incentive that they offer is lower prices.

Representing the store format choice in equation form

$$SFC = \varphi_o + {}_k\Upsilon_{dist}\ \varphi_1 + {}_k\Upsilon_{BA}\ \varphi_2 + {}_i\Upsilon_{inc}\ \varphi_3 + {}_k\Upsilon_{PA}\ \varphi_4 + {}_k\Upsilon_{Si}\ \varphi_5 + {}_i\Upsilon_{Hm}\ \varphi_6 + {}_i\Upsilon_{Pv}\ \varphi_7 + {}_i\Upsilon_{Sd}\ \varphi_8 + {}_i\Upsilon_{Pv}\ \varphi_9 + {}_i\Upsilon_{Oc}\ \varphi_{10} + {}_k\Upsilon_Q\ \varphi_{11} + {}_k\Upsilon_{Pr}\ \varphi_{12} + {}_k\Upsilon_{OD}\ \varphi_{13} + \varepsilon'_i$$

SFC – Store format choice

${}_k\Upsilon_{dist}$ - Distance

${}_k\Upsilon_{BA}$ – Brand Availability

${}_i\Upsilon_{inc}$ - Occupation

${}_i\Upsilon_{inc}$ — Annual family income

$k\Upsilon PA$ — Physical aspect

$k\Upsilon Si$ – Store Image

${}_i\Upsilon_{Hm}$ — Household members

${}_i\Upsilon_{Sd}$ — Shopping duration

${}_i\Upsilon_{Pv}$ — Purchase volume

${}_i\Upsilon_{Oc}$ - Occupation

$k\Upsilon Q$ – Quality

$k\Upsilon Pr$ – Price

$k\Upsilon OD$ – Offers &

ε'_i — Error

k -represents k^{th} departmental store

i -represents i^{th} customer and

φ_k - Coefficient for the kth construct, where k =0,1,2,…,13 (Parameter to be estimated)

Results and Discussion

Respondents of both the gender, male and female were selected for the study. It is observed that 53.3% (331) were female respondents and 46.7% (290) were male respondents were considered for the study. It shows that female respondents were predominant. Most of the respondents (74.6%) were in the age groups 21 to 30 and 31 to 40. Respondents 'Below 20' were 1.3% as compared with respondents 'Above 50' age group, which is 8.1%. 17.4% of respondents were in the age group '41 to 50' years.

Majority of the respondents with 41.1% (255) were in the income group of 3 to 6 lakhs. Also it is observed that 238 respondents (38.3%) were under the income group 1 to 3 lakhs. 12.7% of the respondents were in the income group of 6 to 9 lakhs. With 7.9% ,the above 9 lakhs income group consists of about 49 respondents. It was observed that 49% (304) of the total respondents under study were 'salaried'. Out of 621 respondents, 35.6% (221) were in the 'business' category. 11% (68) of the respondents were 'home makers' and 4.5% (28) respondents were in 'retired' category. Out of 621 respondents, 74.4% (464) were graduates with 211 male subjects and 253 female subjects, 14.8% (92) are post graduates with 45 male subjects and 47 female subjects. There were 56 professionals with 32 male and 24 female respondents which accounts for 9% of the total respondents in the study. It was observed that 37.7% (234) of the respondents with a family size of 4 forms the majority among the respondents. 2 member household, with the second largest with 33.5% (208) respondents. Above 4 household members consists of 4.3% (27) respondents is the least group of respondents under study.

To assess the relationship between the respondents' patronising various departmental stores and other factors in study, a Chi-square test was performed. The output of the test is detailed in the table 1.

Table 1   Relationship between the respondents' patronising various departmental stores and various demographic factors

Sno	Hypothesis (H_0)	Sig	Remark
1	The respondents patronising various departmental stores and age group	.000*	Rejected
2	The respondents patronising various departmental stores and educational qualification	.000*	Rejected
3	The respondents patronising various departmental stores and occupation.	.000*	Rejected
4	The respondents patronising various departmental stores and annual family income	.000*	Rejected
5	The respondents patronising various departmental stores and number of household members	.000*	Rejected
6	The respondents patronising various departmental stores and number of visits to the departmental store	.000*	Rejected

Source : Primary data ; Note: * denotes significance at 1% level, ** denotes significance at 5% level.

Table 2 Regression analysis for the Customers' store format choice

	Predictor variables with Store Format Choice as the DV	R^2	Standardized coefficient Beta	F - Value	t - value	Sig
Chennai	Store distance	0.882	-.376		-4.458	.000
	Brand Availability		.756		8.940	.000
	Occupation		.103		1.718	.087
	Income		.384		4.932	.000
	Physical Aspect		.162		1.861	.064
	Store Image	Adjusted R^2	-.739	112.49 p=.000*	-16.599	.000
	Household members		.265		3.229	.001
	Shopping duration		-.119		-1.106	.270
	Purchase volume		-.893		-17.151	.000
	Qualification	0.875	-.200		-5.102	.000
	Quality		-.400		-5.378	.000
	Price		.396		4.673	.000
	Discounts & offers		-.579		-6.089	.000

Source: Primary Data

SFC North= constant + .097 (Store distance) + .539 (Brand Availability) + .397(Occupation) -.048 (Income) + .165(Physical Aspect) -.019 (Store Image) -.084 (Household members) -.077 (Shopping duration) + .080(Purchase volume) + .386 (Qualification) -.367 (Quality) + .022 (Price) -.497 (Discounts & offers).

The regression model's ANOVA F value is 112.49 and it is significant at 1% level. The regression model's coefficient of determination (R2) is .88 and adjusted R2 is .87, which is a very healthy coefficient.

Conclusion
The majority of respondents who patronise Reliance and Spencer's departmental stores feel that they were satisfied about the stores service. The study further found that Chennaiites patronise the departmental store because of the availability of multi brand items in departmental stores in comparison with local kirana shops. Annual family income range in 6 to 9 lakhs and above 9 lakhs respondents patronise departmental store more when compared to lower income. Educational qualification, number of household members and shopping duration has less contribution to the store patronising whereas store image has very little impact in patronising the departmental stores.

Store managers should ensure that care is taken in formulating the store policy and encourage their floor staff to improve the personal care towards individual customers. Also store managers should take attention in improving and maintain the physical aspects of the stores to ensure a pleasant stay during the shopping and to create a good environment in the minds of the loyal customers to make them revisit the store.

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