



## Store Loyalty Behavior of Urban Shoppers in India: A Cluster Analytic Approach

### KEYWORDS

Store Loyalty, Organized Retail, Unorganized Retail, Urban Shopper, Cluster Analysis

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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. Depending on the type of retail store, organized and unorganized store loyalty is affected by various factors like trust, value for money, availability, display, satisfaction, ambience and location. The results of the study reveal that store loyalty behavior of Indian urban shoppers vary significantly depending on the type of retail format. The cluster analysis also corroborates that the shoppers can be grouped into distinct clusters based on the variables included in the study.

### Introduction

Retailing is the largest private industry in India and second largest employment sector after agriculture. It contributes about 10% to the GDP of India and generates 6-7% of employment (IBEF, Retail: March 2013). The Indian retail industry is primarily divided into two segments-organized retailing and unorganized or traditional retailing. As per ICRIER (2005), any retail store chain that is professionally managed, can be termed as organized retailing 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 Retailing, 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 the 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 and booming consumerism, anticipated strong GDP growth and the introduction of latest technologies in the country.

### Literature Review

Customer loyalty, as per Oliver (1997), is "a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". 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. 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). Maintaining service quality and customer relationship management has become the most important challenge in Retail Marketing (Sathyapriya, Nagabhusana and Nanda, 2012). Trust is one of the reasons which make consumers shop from small stores (Kewlani and Singh, 2012). Customers are con-

fident of getting quality products at a lower price (Sharma, Dubey and Pandey, 2011) which denotes trust for the store. 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).

### Objectives

The specific objectives of the study are listed below:

- i. To explore whether attitude of shoppers vary significantly for organized and unorganized store with respect to store loyalty
- ii. To cluster urban shoppers of India according to their attitude towards organized as well as unorganized retail
- iii. To suggest strategic options and managerial implications

### Methodology

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 data were collected 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 included to lend it a pan Indian credence. 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 and the total number of valid responses was reduced to 411. A paired 't' test was employed to discern the difference among the variables for understanding the perceptions of shoppers towards two different formats of retail outlets. A hierarchical clustering program along with agglomeration schedule was used to identify the possible number of clusters. Once the number of clusters was identified, in the subsequent stage a K-means clustering algorithm was used.

**Table I**  
**Demographic profile of respondents**

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

### Findings

The findings of the of the paired t test reveal that all the variables considered in our study are significant and it is further observed that organized retail is far ahead of unorganized on a number of factors that determines store loyalty. In view of this it is quite logical to explore a cluster analytic method to categorize respondents into homogeneous groups.

**Table**  
**Paired t test**

Paired Variables	Mean	SD	t	df	Sig. (2-tailed)
Trust of Org - Unorganized. Trust	.465	2.803	3.36	410	.001
Value for money - Unorganized. VM	2.526	2.469	20.74	410	.000
Availability - Unorganized.. Availability	.861	2.705	6.45	410	.000
Display - Unorganized. Display	2.044	3.005	13.79	410	.000
Ambience - Unorganized. Ambience	1.350	3.060	8.94	410	.000
Satisfaction Unorganized.. Satisfaction	.226	2.058	2.22	410	.026
Store Loyalty -Unorganized Store Loyaltyt6	1.187	2.821	8.53	410	.000

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. In this process, the final cluster centers were attained. The final cluster centre contains the mean value for each variable in each cluster. Based on the final cluster centers (Tables IV and VI), 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 gradation 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 depict 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 centers that they are not much concerned about availability, display and ambience. Even this group of shop-

pers does not show signs of giving any importance to the satisfaction element. Quiet characteristically, they can be termed as Unconcerned 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 IV

Final Cluster Centers (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 V  
Distances between Final Cluster Centers

Cluster	1	2	3	4	Number of Cases
1		3.889	7.122	11.798	74
2	3.889		4.524	8.438	108
3	7.122	4.524		5.394	133
4	11.798	8.438	5.394		96

**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 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.

**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 VI  
Final Cluster Centers (unorganized)

	Cluster			
	1	2	3	4
Trust	11	15	11	13
. Value for money	11	11	11	8
Availability	12	11	12	8
Display	10	9	10	9
. Ambience	11	14	9	7
Store Loyalty	15	16	11	12
Satisfaction	10	10	9	9

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

Table VII

Centers	Distances between Final Cluster				Number of Cases
	1	2	3	4	
Cluster 1		5.380	3.964	6.994	112.000
Cluster 2	5.380		8.093	9.810	95.000
Cluster 3	3.964	8.093		5.507	74.000
Cluster 4	6.994	9.810	5.507		130.000

**Conclusion**

Cluster analysis results for both the organized and the unorganized sector extracted four distinct clusters for both the sectors and the clusters could properly be described based on the distance as well as the characteristics of the respondents as revealed by the original responses provided. Thus the retailers can form appropriate segmentation strategies to cater to the needs of the heterogeneous groups of customers.

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