



## A comparative study of store selection factors for consumer electronics stores

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### ABSTRACT

Retailing in India is evolving rapidly, as consumer spending is growing by unprecedented rates and with increasing number of global players investing in this sector. Organized retail in India is undergoing a metamorphosis and is expected to scale up to meet global standards over the next five years. India's retail market has experienced enormous growth over the past decade, more than doubling in size to US\$ 311.7 billion in 2005-06. With 17% penetration of organized retail in consumer electronic durables and home appliances, about US\$ 2585 million revenue it has generated (A.T. Kearney, Retail in India). With favorable consumer demographics, overall growth in services and industrial sectors and infrastructure development in suburban and rural areas consumer electronics retail store facing competition with formats as well. The purpose of this paper is to examine the store selection attributes for shopping of consumer electronics and durables. The comparative analysis of these attributes considering the customer of organized retail format or unorganized retail format will be interesting to study. If these store attributes are varied considering store format it will be considered the most crucial aspects to retailers as will helpful in development of store facility and positioning. This paper undertakes an empirical examination of the effect of the competition on organized retailer and unorganized retail stores of consumer electronics and home appliance products. The paper is unique because of the relative newness of the context in which the study was conducted.

**Keywords : Competitiveness, Consumer electronic durables, Store selection**

### Introduction

The consumer electronic durables industry in India is set for sustained growth over the long term, fuelled by favorable consumer demographics, overall growth in services and industrial sectors and infrastructure development in suburban and rural areas. Several Indian and MNC players are looking to strengthen their presence in India to leverage this opportunity. Success in the long-term will require firms to develop a wide and robust distribution network, differentiate their products in areas of relevance to the consumer and innovate in the areas of promotion, product financing, etc. With all these areas of attention, it seems to be interesting and important as well to study how the retailers of consumer electronics and home appliances, position themselves in this competitive environment.

In the increasingly competitive environment, faced by today's unorganized retailers after penetration of organized retailing in India, the pursuit of customer for consumer electronics and home appliances products is paramount and developed more options based on the required variables important to consumer. In order to be competitive, retailers must identify the key antecedents to customer choice and the relationships between the benefits delivered to the consumer and important outcomes.

### Literature Review

Plenty of literature found on store offering to the customers as mix of retailing. A store format has been defined as the mix of variables that retailers use to develop their business strategies and constitute the mix as assortment, price, and transactional convenience and experience (Messinger and Narsimhan, 1997). It has also been defined as a type of retail mix used by a set of retailers (Levy and Weitz, 2002). Differ-

ent store formats are derived from various combinations of price and service output (Solgaard and Hansen, 2003).

Demographic groups were associated with certain store formats, store attributes (e.g. price competitiveness, product selection, and atmosphere) are as drivers of format choice for the consumer electronics goods (Carpenter and Moore, 2006).

The concept of positioning of stores has been captured in marketing literature in the last decade (Woodside et al., 1992). This study found that shoppers looked for and developed "hot buttons" that help in choosing among stores. The shoppers could quickly name the store that provided them with these buttons (attributes), such as most convenient, having most brand variety or lowest prices, hence reducing the cognitive dimension in the decision problem.

### Store Attribute

Research has been directed towards store attributes in western countries identified various results (Carpenter and Moore, 2006). Consumers' perception of store attributes influenced by retail formats, type of products, cultural value, shopping intention and customer base in developing countries (Paulins and Geistfeld, 2003). Store atmosphere, location, parking facilities, and friendliness of store people are the salient factors that influence consumer store patronage (Bearden, 1997). Consumer satisfaction and loyalty influenced highly through store attributes like service offering, activities, facilities and convenience (Chang and Tu, 2005). Store attributes effect on customer loyalty vary across retail formats. (Mitchell and Kiral, 1998). Attribute like wide product range, convenience, store services brands variety, high value for money, helpful personal, cleanliness, quality of products, modes of payment,

accessibility and availability of stock in retail store selection always important to customers store choice decisions (Hansen and Deutscher, 1977).

### Methodology

The main objective of this study was to identify the factors important in store selection to the customers of consumer electronics store. Further, the paper focuses on comparison of the perceived importance of store selection factors among the buyers for consumer electronics products from organized and unorganized stores.

The sample consisted of 300 individuals (58.33 percent male and 41.67 percent female) between the ages of 18 to 63 who were surveyed at six different consumer electronics stores. It was non probabilistic sample consisted on two main quota of organized store shoppers and unorganized store shoppers. The researchers have used five point likert scale of importance to measure the perceived importance of store selection factors. From literature total 16 attributes has been identified in relation with the category of product (Consumer electronics and durables) and store format (Organized / Unorganized). Respondents were asked to rate the importance of attributes on a scale from 1 to 5, where 1 equaled "not at all important" and 5 equaled "extremely important".

### Respondents Profile

The respondents were interviewed after they had shopped at stores dealing in consumer electronics and home appliances products (White goods, Brown goods and electronics products). The respondents were carefully chosen in order to ensure that the sample had similar representation in terms of respondent profile obtained from unorganized/traditional as well as organized/modern stores.

The sample constituted of 150 shoppers shop at organized stores and 150 at unorganized stores. Eighty per cent of the respondents had visited the respected stores at least once. More than 50 per cent of them lived within 5 km and about 35 per cent had travelled more than 5 km. Men constituted 59 per cent of the sample and women constituted 41 per cent. Most of them had a monthly household income of more than Rs. 10,000 per month. It is also expected that they would have adequate exposure to both type of stores. All respondents are aware about the stores included in the study.

### Results and Discussions

#### Factor analysis of attributes of store selection

The perceived importance of consumers for 16 store choice attributes were pre-processed using exploratory factor analysis. The purpose of factor analysis was to reduce the dimensionality of this data for store attributes to a few factors, where each factor represented a linear combination of a number of store attributes. The KMO measure of sampling adequacy was 0.817 and the Chi square of Bartlett's test of sphericity was highly significant. The factor analysis of the attributes of store selection was executed using the principle component method and varimax rotation with Kaiser normalization. Five attributes named, Well known brands, Fair prices, Helpful sales personal, Knowledge of sale personal and Credit facility were dropped as they have score below 0.7. Four dimensions of store selection attributes were extracted; altogether explaining 68.8% of total variance. Factor 1 corresponds to the motive to be able to buy from a large selection of goods named as Product Value orientation, Factor 2 is amenities and facilities orientation named as Accessibility, Factor 3 shows high importance given service and is therefore named as Store service and Factor 4 is characterized by the sales promotions and general price-value so named as Store offers.

In addition, Cronbach's alpha coefficients for the respective factors were 0.797, 0.706, 0.756 and 0.713, indicating high internal consistency and reliability for these four factors. These results lead us to conclusion that for consumer electronics stores four components consisted of eleven attributes.

Table 1: Factor analysis

Rotated Component Matrix				
	Component			
	Product Value orientation	Accessibility	Store service	Store offers
Wide product range	0.7			
Choice of more brands	0.7			
Better product quality	0.7			
High value for money	0.7			
Better Parking facility		0.7		
Convenient to other store		0.7		
Easy to access		0.7		
After Sales service			0.8	
Home delivery			0.7	
Promotional schemes				0.8
Discounts				0.7
Eigen value	4.328	1.258	1.004	1.033
Share of explained total variance	39.34%	11.5%	9.3%	9.1%
Cronbach's Alpha	0.797	0.706	0.756	0.713

Source: Factor analysis of primary data using SPSS

### Hypothesis Testing

As four factors consisted of eleven attributes were derived are responsible for the store selection, it will be very important to compare these attributes for their perceived importance among the consumers of organized store and unorganized store. t-test was applied to test the hypothesis.

**Ho: There is no perceived difference for store selection attributes among the customers of organized store and unorganized store.**

t-tests indicate that there were differences between customers of organized store and unorganized store in their perception of the store selection attributes. Customer's of organized store perceived variety, brand choice, discounts and after sales services to be more important than customers of unorganized store. There were no statistical significant differences in perceptions on promotional scheme among the both store format customers.

Table 2: t test

Hypothesized Attributes	Degree of freedom	p value	Hypothesis supported
Wide product range	204.28	0.000	No
Choice of more brands	189.55	0.000	No
Better product quality	183.44	0.000	No
High value for money	270.02	0.000	No
Promotional schemes	298	0.130	Yes
Discounts	298	0.000	No
Better Parking facility	280.9	0.000	No
Convenient to other store	298	0.000	No
Easy to access	298	0.000	No
After Sales service	298	0.000	No
Home delivery	298	0.000	No

Source: t statistic of primary data using SPSS

**Conclusion and future research directions**

The research has also shown how perceptions of indirectly-competing stores (organized and unorganized) can differ between customers' selection and evaluation criteria. The implications of the above are critical as it indicates the customers are different in their decision of store choice while they are buying electronic goods. Organized retail in electronics and durable category are making profits in India and facing tough competition from unorganized sector at pace. Considering the type of store format consumer's expectations from the consumer electronics durable store found different.

In order to succeed in highly competitive environment, organized retailers have to be flexible in terms of wide products and brand choices, after sales services and physical format of the store. Unorganized retailers have to be conscious about their position for the stated dimensions as they need to be top of the mind of customers. Unorganized retailers have to focus on accessibility and availability of brands and categories.

Customer's expectations will be more from organized retail chain stores as accessibility factor found to be more important over the unorganized store formats. A discount is to be considered similar for both types of stores as it is common expectations of customers while buying electronic durable products. Variety of brands is main problem for unorganized retail stores to stand against organized retail stores.

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