7 Findings, Implications and Conclusions
7.1 INTRODUCTION

The retail sector in India is emerging as one of the largest sectors in the economy, with total market size of US$ 425 billion in 2010 (IBEF, 2011). The industry has been expanding at a compound annual rate of 6.4 per cent since 1998. This growth is largely dominated by unorganized retailing comprising 94 per cent of the overall market. Organised retail in India is expected to be 9 per cent of total retail market by 2015 and 20 per cent by 2020. In 2010, textiles accounted for the largest share (38.1 per cent) in Indian retail business, followed by food and grocery (11.5 per cent) and consumer durables (9.1 per cent). Health and beauty segment contributes the lowest (0.8 per cent) of total sector revenue. A varied set of retail formats have emerged over the years to cater to the Indian consumer. As noted by Sinha and Kar (2007), it is difficult to fit a successful international format directly and expect a similar performance in India considering the diversity in terms of tastes and preferences existing in India. As they have predicted, and in line with the casualties and grappling challenges of achieving desired profitability levels, there has been large scale experimentation in the adoption of winning retail format to suit different geographies and segments. In addition, the large rural population of the country (more than 60 per cent of country’s 1.21 billion population) has drawn the attention of organized retailers looking for new areas of growth. But the growth trends, issues and challenges in rural markets are somewhat different from those in urban areas.

But, as noted by Kohli and Bhagwati (2011) that even though industry analysts are optimistic in the organized retail sales projections, they reasoned that the industry is likely to fall behind those growth rates. One plausible reason for this is the reduced consumer spending due to the global economic slowdown.
Under the wake of present global slowdown, organized retail market in India has seen some corrections in entry and growth plans by the prospective and existing players. However, most of them continue to be aggressive and plan huge investments with an intention to make early mover advantage and increase their presence pan India. With such hyper activity and aggressiveness among modern retailers and subsequent entry of large players into the sector, the market is becoming highly competitive for organized retailers. In this environment, customer retention is becoming difficult as shoppers become savvier and are willing to shop at a wide variety of stores and across a broad range of retailing formats. Thus, the purpose of the current research is to gain an insight into the formation of store satisfaction and loyalty. This research proposes to test theoretical loyalty framework to explore store elements’ ability to affect consumers’ emotions, attitudes and behavioural intentions.

More specifically, the study intended to achieve following objectives;

✓ To study perceptions of customers towards store atmospheric elements (background music, ambient lighting, ambient scent and in-store signage and graphics), three store choice criteria (merchandise quality, service quality and perceived price), behavioural intentions (store satisfaction and store loyalty) and customers’ emotions (pleasure and arousal).

✓ To study the relations between store atmospheric elements, three store choice criteria and customer emotions.

✓ To study the relations between store choice criteria, customer emotions and behaviour intentions.
To test the model describing the store loyalty phenomena in terms of store atmospheric elements, three store choice criteria and emotions.

In view of the above objectives and literature review, a conceptual model was hypothesized for explaining the store satisfaction and store loyalty behaviours. The model is based on Stimulus – Organism – Response paradigm. In order to achieve the above objectives and test the conceptual model, the collected sample data is analysed using Structural Equation Modeling approach.

The analysis is carried out in three stages. In first stage, preliminary analysis of the data is done where normality assumptions and data reliability are assessed. In second stage, the structural model of the study is refined and improved through confirmatory factor analysis of individual factors as well as overall model. In third stage, reliability and validity of the final refined model is assessed before developed structural model is tested for its fitness and relational hypotheses of the study.

Normality of the data is assessed through skewness and kurtosis and reliability is assessed through Cronbach’s alpha coefficient, item reliabilities and composite reliabilities. Validity is assessed in terms of convergent and divergent validity. During confirmatory factor analysis, model refinement and improvement is done based on three criteria: standard regression weights, standard residual covariance and modification indices. Model fitness, during confirmatory factor analysis and structural equation model analysis, was evaluated using $\chi^2$ test statistic, Comparative Fit Index, Goodness-of-Fit Index and Root Mean Square Error of Approximation.

In view of the analysis carried out in three stages, the first section of this chapter presents the findings of the study and their implications to the retail managers. In last section, the overall conclusions of the study are presented.
7.2 FINDINGS AND IMPLICATIONS

The analysis done in first and second stages has resulted into the development of structural model which consists of 11 factors and 42 scale items. The structural model is tested for its fitness and hypothesized causal relationships among the 11 factors. The findings of the structural equation modeling analysis and the hypotheses testing are reported in this section.

1. It is found that structural model fitness is acceptable. The fit indices (CFI, GFI and RMSEA) resulted in acceptable values indicating that the model of the study is good for describing the nature of store loyalty behaviour based on the influences of store atmospherics and store satisfaction.

2. Based on the $R^2$ values of dependent variables in the model, it is found that the model of the study could well predict and explain customer behavioural outcomes in terms of store atmospherics.

3. It is found that the hypothesis related to background music is partially accepted. Background music is found to have significant influences on pleasure, arousal and service quality and insignificant influences on merchandise quality and perceived price. This implies that retail managers should include background music as an important ingredient of the store environment for the creation of positive shopping experience.

4. The ambient lighting is found to have significant influence only on pleasure feelings but ambient lighting influences on arousal, merchandise quality, service quality and perceived price are found to be insignificant. The findings imply that, lighting adds to the creation of pleasing store environments leading to positive
shopping experiences. This further indicates that pleasing lighting should be used by the retailers than the ones which excite the customers.

5. It is found that the hypothesis related to ambient scent is partially accepted. Ambient scent is found to negatively impact pleasure feeling and positively influences merchandise quality, service quality and perceived price. But the influence on arousal feeling is found to be insignificant. The negative impact of ambient scent on pleasure implies that ambient scents produce diminishing effects over pleasure. In addition, findings indicate that ambient scent is a major ingredient for enhancing the cognitions of the shoppers and not their emotions.

6. It is found that in-store signage and graphics have significant influence on arousal, merchandise quality, service quality and perceived price and no significant influence on the feelings of pleasure. The findings imply that in-store signage and graphics should be exciting to attract customers rather than elicit pleasure emotions. It can also be implied that in-store signage and graphics impact strongly on cognitive evaluations of the shoppers than any other atmospheric element. The retail managers should design signage and graphic displays in a manner which enhances the information processing ability among the consumers by including purchase relevant information to increase their sales levels.

7. It is found that the feelings of pleasure have negative effect on store satisfaction and positive influence on store loyalty. The negative influence of pleasure on store satisfaction implies that the pleasant environment diminishes the customer expectations thereby effecting satisfaction levels. The results also imply that for building store loyalty retail managers should focus on creating shopping pleasure in terms of store atmospherics.
8. Hypothesis test for the effects of arousal on satisfaction and loyalty is found to be significant. This implies that retail managers should focus on increasing store satisfaction and loyalty through bonding with the customers emotionally.

9. It is found that the perceptions of merchandise quality have significant influence on store satisfaction and store loyalty. This implies that store satisfaction and store loyalty are based on the quality of merchandise provided by the retailers.

10. Perceptions of service quality were found to have significant influences on store satisfaction and store loyalty. It implies that a strong service backup is a must to induce customer satisfaction and store loyalty along with quality merchandise.

11. It is found that the perceptions of price have significant influence on store satisfaction and insignificant influence on store loyalty. This implies that, even though Indian shoppers are price sensitive, their loyalty depends not on price perceptions but on other factors.

12. It is found that store satisfaction has significant influence on store loyalty.

13. Of all the five cognitive and affective variables considered as impacting on store loyalty directly and indirectly through store satisfaction, only perceptions of price is found to impact store loyalty indirectly through store satisfaction and not directly. All other variables i.e., merchandise quality, service quality, pleasure and arousal, have both direct and indirect effects on store loyalty through store satisfaction. This indicates that store satisfaction is a major mediator in the formation of store loyalty.

The findings of the study can be summarized as follows:
This study developed a model based on the traditional Stimulus-Organism-Response (SOR) model in order to capture consumer behaviour toward a retailer. The acceptable model fit of the proposed research model and the variances explained by independent variables in dependent variables suggested that the model could be effective to depict consumer perceptions toward store atmospheric stimuli and behaviour towards a retailer. The research model conformed to the traditional SOR paradigm; that is, the stimuli (store atmospheric elements) had effects on the organism (direct effects on both cognitive and affective evaluations toward store), which in turn influenced the response behaviour (store satisfaction and store loyalty).

7.3 CONCLUSIONS

This study developed an empirical framework to depict the relationship between store atmospheric elements (background music, ambient scent, ambient lighting and in-store signage and graphics), customers’ internal evaluation states (pleasure, arousal, merchandise quality, service quality and perceived price) and behavioural states (store satisfaction and store loyalty). The structural equation modeling technique applied for the framework revealed significant results confirming the SOR model. These results imply that both academicians and retail managers can adopt this model and evaluate the SOR model not just in the context of one or two stimuli as well as emotions as organism, but can extend by including additional input and mediating variables when there is a need to examine model more comprehensively.

Findings of the study indicate significant influences of store atmospherics on both cognitive and affective states of the customers. Different elements of store atmospherics have varying influences on consumer perceptions of merchandise,
service, price and emotions. Hence, different store atmospheric elements act as stimuli in the formation of consumer perceptions towards different attributes of the retail outlet. The study confirmed the further influences of cognitive and affective states on consumer behavioural outcomes. Hence, store atmospherics are important ingredients in the way consumers perceive their retail outlets resulting into influences on their satisfaction and loyalty intentions.

Organized retailing in India is at present in its initial stages and experiencing high growth. High growth rate is on account of existing lower penetration of organized retail and presence of huge untapped market. The benefits of leveraging this untapped market lie in offering appropriate value to Indian customers. An in-depth understanding of customer behaviour as well as improvement in system-wide efficiency and productivity in the distribution chain is required among retail managers and academicians for betterment of both large and small retailers of India. This is because, both large and small retailers can and should coexist to serve different consumer segments and needs, and to contribute in complementary ways to the economic development of the country.