CHAPTER 1

INTRODUCTION

“The secret of successful retailing is to give your customers what they want. And really if you think about it from your point of view as a customer, you want everything; a wide assortment of good quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hour; free parking; a pleasant shopping experience”


Wal-Mart.

Survival in today’s economic climate and competitive retail environment requires more than just low prices and innovative products. To compete effectively, businesses must focus on the customer’s shopping experience. To manage a customer’s experience, retailers should understand what “customer experience” actually means. Customer experience includes every point of contact at which the customer interacts with the business, product, or service. Customer experience management represents a business strategy designed to manage the customer experience. It represents a strategy that results in a win–win value exchange between the retailer and its customers. Several strategies are identified to deliver a superior customer experience which results in higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits (Grewal et al 2009).
The phrase 'positive customer experience" has become a slogan for companies large and small in their never-ending efforts to attract and retain business. The reason is obvious: a positive customer experience is a marketplace differential for any company seeking to distinguish itself from competitors.

Carbone and Haeckel (1994) have pointed out that the traditional product/service value proposition is no longer adequate for reaching customers or creating differentiation and have suggested that businesses must elevate the customers’ experience to the prominence they give to products and services, thereby, creating a seamless total experience in which products and services are the elements. Organizations need to develop competencies in creating and managing great customer experiences that leave lasting impressions on customer’s mind. Managing each customer’s experience is perhaps the most important ingredient in building customer loyalty (Crosby and Johnson 2007).

O’ Loughlin et al (2004) proposed the notion of “experience” as a more relevant and managerially useful construct than “relationship”. Their study identified three levels of customer experience, conceptualised as brand, transactional and relationship experience.

The focus of retailing is shifting from mere transactions to building lasting relationships by providing shopping experiences. Retail experience is described as all the elements that encourage or inhibit customers during their interactions with the retailer (Berman and Evans 2007). According to Jain and Badgere (2009) customer experience in the new format retail stores may be interesting, involving, absorbing, entertaining, satisfying, different, pleasurable, memorable or beyond expectations. These experiences also reshape the expectations and influence future purchase behaviour. Positive customer experience has been found to be related to longer duration of stay,
increased spending of different products, feeling to visit again and recommendation to other customers. A retail store experience involves activities such as browsing, price comparisons, search for merchandise, evaluating product variety and quality, and interaction with store personnel (Terblanche and Boshoff 2001). Colours, lighting, music, arrangements, ambient scents and layout influence consumer responses in a variety of ways. Experience is a major differentiator in creating competitive advantage (Berry et al 2002).

Understanding and recognising the importance of customer experience is essential to withstand in this highly competitive and ever changing retail environment. Knowledge of the various determinants of customer experience will give the retailers an edge over the competitors. The present research was carried out to identify and analyze the major determinants of customer experience in the various retail formats.

1.1 RETAIL INDUSTRY: AN OVERVIEW

The global retailing industry had total revenue of $10,526.1 billion in 2010, representing a compound annual growth rate (CAGR) of 4.3% for the period spanning 2006-2010. The food and grocery segment was the most lucrative segment in 2010, with total revenue of $6,630.2 billion which is equivalent to 63% of the industry value. The performance of the industry is estimated to accelerate, with an anticipated CAGR of 4.6% for the five year period: 2010-2015 which is expected to drive the industry to a value of $13,206.3 billion by the end of 2015. The global retailing industry grew by 3.9% in 2010 to reach a value of $10,526.1 billion. The compound annual growth rate of the industry in the period 2006–10 was 4.3%.

Retailing has played a major role in the global economy. In developed markets, retailing is one of the most prominent industries. In 2008,
the US retail sector contributed 31% to the GDP at current market prices. In developed economies, organized retail has a 75-80% share in total retail as compared with developing economies, where unorganized retail has a dominant share. In 2008, the slowdown in the global economy and credit crunch led to decreased consumer spending.

On the global level, the economy performed robustly till 2007, but the US crisis spread over to Europe in early 2008 and its impact was felt in the Asia-Pacific region by mid-2008. Despite difficult economic conditions, the global retail industry continued to grow, building on the rebound in growth that started in 2010.

**Table 1.1 Global retailing industry segmentation**

<table>
<thead>
<tr>
<th>Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Grocery</td>
<td>63.0%</td>
</tr>
<tr>
<td>Apparel, Accessories and Luxury Goods</td>
<td>13.7%</td>
</tr>
<tr>
<td>House and garden</td>
<td>10.2%</td>
</tr>
<tr>
<td>Electricals and Electronics</td>
<td>8.1%</td>
</tr>
<tr>
<td>Media products</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sports and Leisure</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Figure 1.1 Global retailing industry segmentation – graphical representation**
The global retailing industry is heavily fragmented despite the presence of large international players. There are a large number of buyers present in the global retailing industry, which reduces their power. However, the recent economic downturn has seen more consumers seeking value for money which puts pressure on retailers to deliver branded products at low cost.

The leading incumbents within this industry group are Wal-Mart, Carrefour SA, Metro AG and Tesco, who together hold only 6.8% of the total industry value. Thus the industry is heavily fragmented with a large number of players present. The advent of online retailing means that players can now distribute products more easily, reaching more people. However, it also means that there are greater opportunities for new companies to enter into this industry. This puts further pressure on players. Furthermore, buyers are not constricted by switching costs. Overall, competition is strong within the retail industry.

1.2 INDIAN RETAIL INDUSTRY

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP (Mc Kinsey 2007). The Indian retail market is estimated to be US$ 450 billion and it is one of the top five retail markets in the world by economic value (Dikshit 2011). India's retailing industry consists mainly of owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these are present only in large urban centers. India's retail and logistics industry employs about 40 million Indians roughly about 3.3% of Indian population (Sanjoy 2011).

India has very strong growth fundamentals. They are: “9 percent real GDP growth in 2010, forecasted yearly growth of 8.7 percent through
high saving and investment rates, fast labour force growth and increased customer spending. India enjoys 4th spot in the Global Retail Development Index which results in a favourable retail environment”. The above factors make Indian retailing an attractive target (Kearney report 2011).

Globalization has played a major role in the growth of the retail sector in India. It has brought in its wake increasing competition resulting in the creation of new markets in the retail arena, such as India and China thereby replacing the saturated western markets. This is a significant development in the global retail scenario. According to a survey conducted by Euro monitor International (2007), Indian retailers are finding a place in the list of Top 500 retailers in Asia Pacific. There is a great confidence in India’s potential to sustain a period of high growth in the retail sector. Although India lost its top position in Global Retail Development Index (GRDI) and slipped to second position it remains an important retail investment destination (Kearney’s report, 2008). According to Goldman Sachs report (2005) India’s economic growth could actually exceed that of China by 2015 and the country has the potential to record the fastest growth over the next 50 years. The Indian retail market is expected to grow to US$ 833 billion by 2013 and to $1.3 trillion by 2018, at a CAGR of 10 percent (Kearney Report 2008).

The Government of India seems to be pursuing a policy of gradually allowing foreign retailers to enter the country. The easing of the retail FDI regulatory environment in India is also making the country an increasingly attractive target for international players. Significantly, the Indian retail market is attracting a large number of international players in anticipation of explosive growth. As per the study by the McKinsey Global Institute (2007), India is becoming the world’s 12th Trillion dollar economy,
and further predicts that the country is well on its way to become the world’s fifth-largest consumer market by 2025.

Last few years witnessed an explosion of organized retail formats in an otherwise fragmented market in India. According to the Federation of Indian Chambers of Commerce and Industry (FICCI report, 2007), the organized retail sector is likely to increase its share from the current 4% to over 20% by 2010. The organized retail sector is on a high growth trajectory, and is expected to grow by around 27% per annum in the next 5-6 years (CRISIL report 2007). The organized retail sector has witnessed tremendous revenue growth over the last few years with existing players scaling up with new models, verticals, markets and larger store sizes. In order to capitalize on the huge growth potential of these new retail models, large Indian conglomerate and International players are joining the bandwagon. Malls are also coming up not just in the metros but in Tier II, Tier III cities, introducing the Indian consumer to shopping experience like never before.

According to the FICCI retail report (2007) over $30 billion of investment is likely to be made in the next five to seven years in these new retail models, 92% of which is slated for urban areas. Indian consumers are rapidly evolving and accepting modern retail models overwhelmingly. The attitudinal shift of the Indian consumer in terms of “Choice Preference”, “lifestyle Proposition”, “Value for Money” and the emergence of new retail models have transformed the face of Retailing in India. Retailers use different value propositions to remain competitive in the market and design strategies for delivering these values. In modern retailing, a key strategic choice is the format: retailers are coming up with various innovative formats to provide an edge to retailing.

Any retail outlet chain (not a one shop outlet) that is professionally managed (even if it is family run) can be termed as organised retailing in
India if it has the following features – accounting transparency (with proper usage of MIS and accounting standards), organised supply chain management with centralised quality control and sourcing. (Zameer and Mukherjee 2011). This accounts for 7 percent of India's retail market and is expected to reach 20 percent by 2020.

India has the highest number of retail outlets in the world at over 13 million retail outlets and the average size of one store is 50-100 square feet. It also has the highest number of outlets (11,903) per million inhabitants. The per capita retail space in India is among the lowest in the world, though the per capita retail store is the highest. Majority of these stores are located in rural areas.

1.2.1 FDI Policy in the Retail Sector

India has kept the retail sector largely closed to outsiders to safeguard the livelihood of nearly 15 million small storeowners and only allows 51 per cent foreign investment in single brand retail with prior Government permission. FDI is also allowed in the wholesale business. Single-brand retailers such as Louis Vuitton, Fendi, LLadro, Nike and Toyota can operate now on their own. Metro is already operating through the cash-and-carry wholesale mode.

The policy makers continue to explore areas where FDI can be invited without hurting the interest of local retail community. Government is considering opening up of the retail trading for select sectors such as electronic goods, stationery, sports goods, and building equipment. Foreign direct investment (FDI) in retail space, specialized goods retailing like sports goods, electronics and stationery is also being contemplated. The Government has to walk a tightrope to ensure an equal playing field for everyone.
1.2.2 Evolution of Retail Industry in India

India at the time of its independence in 1947 was in the clutches of a vicious circle of poverty – characterized by very low per capita consumption and one of the lowest income levels in the world. Retailing was focused more on the basic necessities rather than luxury. In terms of retail institutions, it was mainly mom-and-pop stores (kirana stores) run by individuals and the wet markets or bazaars. There were also the government-run public distribution shops (PDS) as well as different co-operative stores. All these stores were having counter-service as self-service was not a feasible option. Even in the early 1960s, it was reported that there was not a single supermarket in India (Westfall and Boyd 1960).

Over the years, more and more counter-service format stores came up all across the country and by the turn of the century there were almost 12 million stores. The majority of these stores focused on food and grocery. These stores also provided credit to customers. While in terms of numbers it was the grocery kirana stores that were dominant where as the wet markets accounted for nearly 70 per cent of food and grocery retail sales based on value (Jones et al 2005).

The Indian retail industry is evolving in line with changing customer aspirations across product groups, with the emerging modern formats of retailing. This is in line with what has been observed in other developed markets. Organised retailing in most economies has typically passed through four distinct phases in its evolution cycle. In the first phase, new entrants create awareness of modern formats and raise consumer expectations (Mishra 2008).

The second phase is one in which consumers demand modern formats as the market develops – thereby leading to strong growth. As the
market matures, intense competition forces retailers to invest in backend operating efficiency. In the final phase, retailers explore new markets as growth tapers off. Indian customers are more demanding with their rising standard of living and changing lifestyles. Change in customers’ focus from just buying to shopping (buying, entertainment and experience) has led to a pickup in momentum in organised formats of retailing (Mishra 2008).

As the sector enters the third phase of evolution, supply chain management will assume top priority. Fierce competition will force retailers to quickly respond to changes in the market – bringing to the fore the importance of supply-chain management in managing stock availability, supplier relationships, new value added services and cost cutting. Traditional retailers are expected to enhance their investments in supply chain, whilst new entrants are likely to look at supply chain first before rolling out their national reach (Mishra 2008).

![Figure 1.2 Stages of Indian retailing](source: KSA Technopak)
India’s retail sector has a three-year compounded annual growth rate of 46.64 per cent. The retail sector is one of the fastest growing sectors in the Indian economy. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail, however, is at a very nascent stage though attempts are being made to increase its proportion to 9-10 per cent by the year 2010 bringing in a huge opportunity for prospective new players. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India’s GDP.

The last few years witnessed immense growth by this sector, the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the Government increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate there by building a world class shopping environment for the consumers.

Large Indian players like Reliance, Bharti Airtel, ITC and many others are making significant investments in this sector leading to emergence of big retailers who can bargain with suppliers to reap economies of scale. Hence, discounting is now an accepted practice. Proper infrastructure is a prerequisite in retailing, which would help to modernize India and facilitate rapid economic growth. This would help in efficient delivery of goods and value-added services to the consumer there by making a higher contribution to the GDP.
1.2.3 Unorganised Retail

The Indian retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers - who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets, retail chains, and also privately owned large retail businesses. Unorganised retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan / beedi shops, convenience stores, hand cart and pavement vendors, etc.

According to (McKinsey Report 2008), the street vendor and the neighbourhood store (kirana store) benefit not only from the Indian habit of buying fresh food often or a convenient location, they gain from their ability to offer credit and home delivery. These stores have long maintained accounts for households waiving payments till the end of the month and sending goods to the door at just a phone call request. Kirana stores also enjoy lower operating costs and higher asset returns.

1.2.4 Organised Retail

Organised retail in India has the potential to add over Rs. 2,000 billion (US$45 billion) business by the Year 2010 generating employment for some 2.5 million people in various retail operations and over 10 million additional workforces in retail support activities including contract, production & processing, supply chain & logistics, retail real estate development & management. It is estimated that it will cross the $650-billion mark by 2011.

With a growth rate of 25-30% p.a., the Indian retail sector has propelled into a fast paced growth trajectory. Increased job creation, high
spending power and a pervasive economic climate have provided further momentum to the growth of this sector. Organized retailing formats (malls) have found an overwhelming acceptance and made in-roads throughout the length and breadth of the country. Retailing is now being heralded as the next sunrise sector after IT, with the potential to contribute significantly to the country’s GDP and create new and exciting job opportunities (Mishra 2008).

1.2.5 Retail Formats and Major Players in India

Traditional formats are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities, introducing the Indian consumer to an unparalleled shopping experience.

Modern retailing has entered India in form of sprawling malls and huge complexes offering shopping, entertainment, leisure to the consumer and the retailers are continuously experimenting with a variety of formats, such as discount stores to supermarkets to speciality chains to hypermarkets. However, kiranas still continue to score over modern formats primarily due to the convenience factor.

The organized segment typically comprises of a large number of retailers which enables greater enforcement of taxation mechanisms and better labour law monitoring system. It's no longer about just stocking and selling but about efficient supply chain management, developing vendor relationship, quality customer service, efficient merchandising and timely promotional campaigns.

The modern retail formats are encouraging the development of well-established and efficient supply chains in each segment ensuring efficient movement of goods from farms to kitchens, which would result in a
huge savings for the farmers as well as for the nation. The Government also
stands to gain through more efficient collection of tax revenues. Along with
the modern retail formats, the non-store retailing channels are also witnessing
action. Network marketing has been growing quite fast and has a few large
players today.

Fuel stations are seeing action in the form of convenience stores,
ATMs, food courts and pharmacies appearing in many outlets. In future it can
be said that the hypermarket will emerge as the most preferred format for
international retailers stepping into the country. At present, there are 50
hypermarkets operated by four to five large retailers spread across 67 cities
catering to a population of half-a-million or more. Predictors say that this
sector will have the potential to operate many more hypermarkets in the next
four to five years.

A supermarket, a form of grocery store, is a self-service store
offering a wide variety of food and household merchandise, organized into
departments. It is larger in size and has a wider selection than a traditional
grocery store, also selling items typically found in a convenience store, but is
smaller and more limited in the range of merchandise than a hypermarket
(Srivastava 2008). On the contrary hypermarkets are very huge shopping
areas where the customer can buy groceries, food, garments, home appliances,
durables, toys, cosmetics, toiletries, books and music at a price that is always
lower than the market price by 5-50 percent (Srivastava 2008). E.g.: Big
Bazaar, Star Bazaar, Saravana Stores etc. According to Swamy and Sharma
(2008) retail formats and their characteristics are shown in Table 1.2.
### Table 1.2 Retail format and their characteristics

<table>
<thead>
<tr>
<th>Retail format</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department stores</td>
<td>It caters variety of consumer needs. It ranges from 10000 – 60000 sqft.</td>
</tr>
<tr>
<td>Malls</td>
<td>Largest forms of modern retailing range from 60000 sqft. To 700000 and above sqft. It provides ideal shopping experiences with products, services and entertainment under one common roof.</td>
</tr>
<tr>
<td>Speciality stores</td>
<td>It focuses on special market segments and generally ranges from 2000-5000 sqft.</td>
</tr>
<tr>
<td>Branded stores</td>
<td>Exclusive showrooms either owned or franchised out by a manufacturer</td>
</tr>
</tbody>
</table>

Source: Swamy and Sharma (2008).

Big Bazaar, Giant, Star Bazaar and Super Bazaar are the major players in the hypermarket segment. Hypermarkets are springing up all over India since consumers can buy groceries, food, garments, home appliances, durables, toys, cosmetics, toiletries, books and music at a price that is always lower than the market price by 5-50 percent.

Pantaloons is a significant player in the retail industry in terms of reach, turnover and profitability. Pantaloons have grown from a retail store with 8,000 square feet in Kolkata in 1997 to a huge national organized retailer with total square feet of 21.08 lakh square feet areas spread across 22 factory outlets. Pantaloons Retail India Limited, which operates Pantaloons superstores, has around 14 Pantaloons Family Stores and ten Pantaloon “Shoppes” across the country. In addition, they also run hypermarkets under the “Big Bazaar” brand.
Lifestyle is owned by Landmark Group, which operates 170 stores worldwide, forayed into the Indian retail market in 1998. One of the primary reasons for their success in India has been their experience in running retail chains overseas. Another advantage they have is that Lifestyle has developed its own in-house label, which comprises 11 percent of total merchandise.

RPG’s retail empire is one of the largest in India, having more than a 100 stores that includes Food World – an alliance with Dairy Farm International of the Jardine Matheson Group; Music World – a 50:50 joint venture with Dairy Farm International, Health & Glow (cosmetics, health products and medicines) and Giant (hypermktarks). Primarily based in south India, the turnover of RPG’s Retail Empire is around US$98million and accounts for nine percent of the group’s turnover.

The Raheja promoted shoppers’ stop, credited with starting the retail revolution in India, is said to be the leader in department store format. At present, Shoppers’ Stop has ten stores across India. Shoppers’ Stop also runs the 13 stores of the bookstore chain “Crossword”. The future plans of this chain, having a turnover of US$66 million, are to open 24 more Shoppers’ Stop Stores in the next two years and 12 more Crossword stores by the end of this year. A unique feature of Shoppers’ Stop operations is that their private labels such as Stop, Kasish, Life and Carrot contribute 20 percent to its turnover.

The $9.7 billion Tata Group’s retail arm Trent runs the Westside chain of stores. Trent has already established 11 Westside departmental stores measuring 20,000 square feet each, in Mumbai, Bangalore, Hyderabad, Chennai, Pune, New Delhi, Kolkata, Nagpur and Ahmedabad. In addition, they also run hypermarkets under the “STAR Bazaar” brand. Some of the other well-known names in the Indian retail arena are ITC, Globus, Nilgiris, Cafe´ Coffee Day, Quickys, Amoretto’s and Bata, etc.
1.3 FUTURE OUTLOOK

The retail industry is in the midst of a customer revolution. The overlap of the virtual and physical worlds is fundamentally changing consumers’ purchasing behaviours. Consumers are seeking an integrated shopping experience across all channels, and expect retailers to deliver this experience. Failure to deliver puts retailers at risk of becoming irrelevant. The key drivers of this customer revolution are the rapid adoption of mobile devices, digital media and tablets equipped with shopping applications. Traditional retailers must find opportunities to seamlessly embed the virtual world into their retail strategy by developing in-store and online technologies that allow them to create and maintain meaningful and sincere connections with customers across all channels.

The retail concept has shifted from a single physical connection point with customers to a multi-pronged approach that crosses both physical and digital channels. The traditional bricks-and-mortar retail store is no longer the dominant medium for purchasing goods. Instead, it serves as one of many potential connection points between customers and a retailer’s brand. As one industry observer has noted, “While physical stores may have once enjoyed the advantage of crafting cool shopping experiences, the aesthetics of the internet and all the social sharing surrounding online shopping today are now shifting that advantage to online retailers.” However, many retailers are struggling to take advantage of the increasing number of channels available to them for connecting with customers. Further, they are neglecting to make appropriate investments in technology, operations and talent that would better equip them for seizing control of these channels.

Retailers’ technology can be different and fragmented, and multiple physical locations can drive an unsustainable cost structure that is not flexible and often underperforms. Additionally, employees often lack the knowledge,
training and tools necessary to facilitate a shopping experience that engages customers across a variety of channels and extends beyond the traditional shopping experience. As a result, many retailers are falling behind in the race to offer a unique and comprehensive experience with their brand that keeps pace with customers’ ever-evolving attitudes and expectations.

Retailers are faced with the challenge of engaging customers on more than just price. They must make shopping across all channels a more stimulating and satisfying experience, rather than simply a way to find the lowest price for a particular product. New competitors are disrupting the market and capturing valuable market share through innovative business models. Many companies are now seeking to become vertically integrated by controlling the whole supply chain. As a result of a vertically integrated value chain, a new generation of e-commerce players is bringing high-quality products from the warehouse directly to consumers at significantly lower prices. Hence, retailers must respond to new competition by enabling digital experiences that improve both the store and virtual experience for the customer. Equally important, they must find a path to success that not only addresses the needs of their customers today but is also flexible enough to continually evolve with customer interests and expectations. The customer revolution is taking place along with drastic changes in retailing. Hence, retailers must respond now or might risk facing obsolescence.

Nowadays consumer is increasingly connected to both the physical and digital space and able to interact with retailers through multiple channels simultaneously. To stay competitive in this ever-evolving landscape, it is imperative for retailers to deliver a seamless customer experience across all channels and provide the right services and products at the right time. Specifically, retailers must develop an integrated strategy that aligns talent, physical space, processes, marketing and merchandising to meet consumer
demands. This strategy should be supported by emerging technologies and continually adapted to remain relevant to the customers of tomorrow.

A robust retail strategy must include:

- A strong vision of the experience the customer desires across all channels
- A nimble operating model that can adapt as the retail environment changes
- A deep understanding of how to support the vision through inventive digital solutions and retail technologies, such as playbooks to operationalise the Omni-channel strategy.

The transformation of the retail store begins with a deep understanding of the customer and a strategy to personalise the experience at every point of interaction. The most appropriate technologies should be leveraged to enhance the experience in both the physical store and the digital world.

1.4 CUSTOMER EXPERIENCE

In order to achieve long-term financial benefits, companies must design and deliver a service that satisfies customers so that they have a positive experience during the service encounter (Lovelock et al 2004).

Many customers make a decision regarding where to shop based on their attitude toward a mix of stores, the shopping centre environment and the entertaining shopping experience. The shopping motives of the customers can be divided into three categories: product oriented, experiential oriented and a combination of both. The last category occurs when the shopper seeks to
satisfy a purchase need as well as enjoy a pleasurable recreational experience (Ibrahim 2002).

Managers need to recognise the importance of creating value for their customers in the form of experiences (Berry et al 2002). Offering products or services alone is not enough. Organisation must provide their customers with satisfactory experience. Gilmore and Pine (2002) agree by saying that the way for a company to reach its customers is through creating a memorable experience for them. It is said that companies should be urged to create market experiences by creating places (real or virtual) where they can try out offerings as they indulge themselves in the experience.

Dramatic technology changes have contributed vastly to improve the shopping experience of customers (Corbett 2006). The customer experience is defined as the “combination of everything you do, or fail to do for that matter, that underpins any interaction with a customer or potential customer” (Shaw 2005).

According to Shaw (2005) the customer experience is the next competitive battle ground and it will provide a source of sustainable differentiation. In the commoditized economy customer experience acts as a possible differentiator when product, price, people and technology are all similar. The meaningful things that customers remember, over and above the product, such as the feel and perception of the organization and the brand are derived through customer experience. It is, therefore, the customer experience that makes the difference.

1.5 SIGNIFICANCE OF THE STUDY

Competition is very strong in the retail environment in India due to the presence of number of players and also due to the stiff competition from
the unorganised sector. Hence, it is necessary to differentiate oneself from the rest of the players. Therefore, it is necessary to find out through literature review the various determinants of customer experience which can act as strategic differentiators.

Customer experience is a recent phenomenon in India and there are not much studies focussing on this and it remains a fairly an underexplored area. Organised retailing is gaining a lot of importance since many large players are keen to setup their footprints in India. This study can make a significant contribution to understand customer experience in the Indian context. The purpose of the study is to understand the determinants of customer experience for the various retail formats namely supermarket, department store, hypermarket, mall, speciality store and branded store. The intense competition among the retailers offers a wide array of choices for the customer and hence there arises a need for studying the determinants of customer experience through which the retailer can provide a superior customer experience thereby differentiating them self from the competitors.

Obtaining and sustaining a competitive advantage in retailing, specifically in Indian retail environment today sets the challenge to determine one thing that will differentiate one retailer from another. Retail establishments worldwide are trying to find that sustainable competitive advantage and it currently seems possible by strategically focusing on customer experience and the various determinants.

1.6 PROBLEM STATEMENT

Creating superior customer experience seems to be one of the central objectives in today’s retailing environments. Retailers around the globe have embraced the concept of customer experience management, with many incorporating the notion into their mission statements. Despite the
recognition of the importance of customer experience by practitioners, the academic marketing literature investigating this topic has been limited.

Publications on customer experience are mainly found in practitioner-oriented journals or management books (e.g., Berry, Carbone, and Haeckel 2002; Meyer and Schwager 2007; Shaw and Ivens 2005). In general, these publications tend to focus more on managerial actions and outcomes than on the theories underlying the antecedents of customer experience. For example, Pine and Gilmore (1999) argued that creating a distinctive customer experience can provide enormous economic value for firms. Frow and Payne (2007) pointed out the managerial implications of customer experience based on qualitative case studies.

Only a limited number of articles explore customer experience in depth from a theoretical perspective. Gentile, Spiller and Noci (2007) empirically investigated the specific role of different experiential features in the success achieved by well-known products. Novak, Hoffman, and Yung (2000) investigated the impact of website design on the customer’s experience. The scarcity of scholarly research on customer experience construct and customer experience management calls for a theory-based framework to examine customer experience. In this study an attempt is made to discuss the conceptual model, antecedents and the moderators of the customer experience construct.

The research problem, therefore, is to understand the contributors to customer experience in the Indian retail industry.

1.7 RESEARCH QUESTIONS

The following questions are formulated:

1. Do demographic variables influence customer experience?
2. What are the key determinants of customer experience?

3. What is the relationship between each of the determinants and the customer experience?

4. Is there a variation in the influence of the determinants on the customer experience across different retail formats?

5. Do moderating variables influence the relationship between the determinants and customer experience?

This study will, therefore, describe and analyse the concepts of customer experience, retailing and each determinant individually.

1.8 **RESEARCH OBJECTIVES**

Based on the research questions the following objectives are formulated.

1. To understand the demographic characteristics of the customers of different retail formats

2. To measure the experience of the customers of different retail formats.

3. To examine the relationship between demographic characteristics and the customer experience.

4. To measure the determinants of customer experience.

5. To analyse the relationship between the determinants and the customer experience.

6. To find out whether there is any significant difference in the determinants of customer’s experience across the different retail formats.
7. To investigate the moderating effect of location, goal and involvement on the relationship between the determinants and customer experience.

8. To suggest measures to improve customer experience for the different retail formats in the Indian context.

1.9 SCOPE OF THE STUDY

- The current study focuses exclusively on the organized retailing sector in India.

- The study is confined to the modern retail store formats namely supermarket, department stores, hypermarkets, malls, speciality stores and branded stores.

- The study is carried out in Chennai, which is one of the most vibrant markets of south India.

1.10 OUTLINE OF THE STUDY

The contents of the thesis are organised in five chapters, the first chapter being the introduction chapter.

In chapter two, an extensive review of the available literature on customer experience, the various determinants, retail formats, literature in the Indian context, other models of customer experience are discussed. In the end the gaps in the literature are listed.

Chapter three discusses the conceptual model and the underlying hypotheses investigated in this present study. The research methodology includes questionnaire design, sampling design, data collection and the data analysis framework.
In chapter four, data analysis is presented and the results of the same are discussed. First, demographic characteristics of the customers for each of the retail format are detailed followed by results of testing the hypotheses using regression without moderator and using moderators.

In chapter five, discussions of the results along with the theoretical contributions and managerial implications are given. Finally the chapter shows the limitations of the study and also the directions for future research.