CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter reviews the various research papers in order to understand the principles of retailing and customer experience. The findings of the previous studies form the building blocks for the present research to understand the conceptual framework and to frame the research hypotheses in accordance to the research objectives of the present study. This chapter reviews the literature to recognise the gap in the available literature. The purpose of this review is to understand the determinants of customer experience as well as the influence of the moderators.

The reviewed literature brings to light the significance of customer experience, the importance of different variables which make significant contribution and an overview of the retail industry. These variables make significant impact on the customer experience. This chapter reviews literature under the following broad categories namely retail store format, customer experience, the various determinants of customer experience and the review of literature in Indian context. Reviews of literature on the above topics are presented in order.
2.2 LITERATURE ON RETAIL STORE FORMAT

A retail format is the physical picture of a retail business model. It is the framework that relates the firm’s activities to its business context and strategy. In turn, the business model enables the retailer to select the market and the customers. It also defines and differentiates the type of products, promotions, strategies to retain the existing customers, usage of resources and key processes in order to obtain a profit or return on investment (Reynolds et al 2007).

According to Fox et al (2004) differences in marketing policies exist across retail formats. Product assortment is much greater at grocery chains; it offers many more product alternatives than mass merchandisers, which in turn offers more product alternatives than drug stores. Grocers offer more than three times the assortment of mass merchandisers and more than four times the assortment of drug stores.

According to Jhamb and kiran (2012) carried out a study to understand the relationship between the choice of retail formats, based on products attributes, store attributes, consumers’ demography and retail marketing strategies. The outcome of the study reveals that consumers’ choice for modern retail formats varies as their income level increases. Young consumers’ are more inclined to shop from modern retail formats as compared to older ones. Consumers prefer modern retail formats due to their significant product attributes like improved quality, variety of brands and assortment of merchandise and store attributes like parking facility, trained sales personnel and complete security. The study has designed a framework for the choice of modern retail formats from consumer’s and retailer’s perspectives.
Gupta (2004) highlighted the change in Indian consumer behaviour. Availability of large assortment of major products has an impact on the consumer. The consumer is no longer shopping only from the local market rather the place of shopping has shifted to the stores in malls. Malls are catering to the younger population segments.

Huddleston (2009) has drawn a comparison in customer perceptions related to satisfaction with conventional grocery stores as compared to specialty grocery stores. The study examines store attributes of product assortment, price, quality, and service in order to determine which attributes have the greatest impact on store satisfaction for each store format. Perception of satisfaction was higher among the customers of specialty grocery store customers compared to the customers of conventional grocery store. For both store formats, store price, product assortment, service and quality positively influenced satisfaction. Stepwise regression indicated that each store attribute contributed differently to store satisfaction for conventional and specialty store formats.

According to Reutterer and Teller (2009), in the case of bulk purchase, consumers chose large-scale retail formats such as discounters or hypermarkets because of superior expectations about assortment, price and discounts or special offers, i.e. merchandise-related store format attributes. Small scale retail formats such as supermarkets are preferred for fill-in trips, because of personal service and store atmosphere. The results suggest that consumers patronise different store formats depending on the respective shopping trip type.

Carpenter and Brosdahl (2011) explored the choice of retail format among the male shoppers. Findings suggest direct and positive relationships between department store patronage and shopping enjoyment, brand loyalty, price competitiveness, knowledgeable salespeople and presence of well-
known brands. The male customer was characterized as a shopper who enjoyed shopping and preferred a selection of well-known brand at competitive prices. The male customer appreciates input from knowledgeable salespeople who can assist in selecting appropriate merchandise.

According to Torres et al (2001), department stores should establish well-known, competitively priced private label merchandise targeted toward this brand loyal consumer to discourage the customers from moving to other retailers. Department stores should focus on providing knowledgeable salespeople to serve the customer. The findings for the discounter format depict a shopper who is price conscious and values an extensive selection of products. However, the inverse relationship between product quality and patronage of this format suggest that frequent discount patrons are willing to sacrifice product quality in exchange for lower prices. Therefore, discounters should continue to focus on providing a large selection of products at low prices and should realize that lower quality products are likely to be accepted.

Yavas (2003) produced a list of important attributes for shopping malls including quality, price, cleanliness, courtesy, assortment, security, store hours, accessibility and atmosphere. Shim and Kotsiopoulos (1992) say that pricing and return policies negatively impact specialty store patronage, while quality, assortment and brand consciousness tend to draw shoppers to specialty stores.

According to Ghosh et al (2010) the phenomenal growth of retail in India is reflected in the rapid increase in number of supermarkets, departmental stores and hypermarkets in the country. The study addressed issues related to store attributes and their relevance in the store selection process. Eleven variables (store attributes) have been identified in this article based on theory and judgment. Factor analysis has yielded three factors: Convenience and Merchandise Mix, Store Atmospherics and Services.
2.3 LITERATURE ON CUSTOMER EXPERIENCE

Holbrook and Hirschmann (1982) theorized that consumption has experiential aspects. According to Pine and Gilmore (1999) the progression of economic value has four stages: commodities, goods, services and finally experiences. Leading-edge companies, whether they sell to consumers or businesses, will find that the next competitive battlefield lies in staging experiences.

Schmitt (1999) says that companies can create experiential marketing by having customers sense, feel, think, act and relate to a company and its brands. The experience concept has also redefined branding to more than just logos, slogans, awareness and image. The brand is about creating and delivering a specific targeted experience associated around a product or service.

According to Verhoef et al (2009) creating superior customer experience seems to be one of the central objectives in current retailing environments. Retailers around the globe have embraced the concept of customer experience management, with many incorporating the notion into their mission statements.

Michelli (2007) argued that the success of Starbucks is based on creating a distinctive customer experience for their customers. Recently customer experience is used as a key factor for companies to build loyalty to brands, channels and services (Badgett, Boyce, and Kleinberger 2007). Frow and Payne (2007) derived managerial implications, such as the careful management of customer ‘touch points’, based on qualitative case studies.
Berry et al (2002) suggest that in order for organizations to compete by providing customers with satisfactory experience they must orchestrate all the stages of the customers buying process.

“The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)” (Gentile et al 2007).

“Customer Experience is the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company’s products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth” (Meyer and Schwager 2007).

Baker et al (2002) tested an extensive model that considers the effects of factors such as price and assortment on the perceived value of the store. Customer experience management is a retailer’s strategy to engineer the customer’s experience in such a way as to create value both to the customer and the firm. Customer experience management differs from customer relationship management by focusing on the current experience of the customer, rather than the recorded history of the customer. It is important for firms to focus on customer experience. Formulating differentiation strategies based on service and price are no longer sufficient (Rust, Moorman, and Dickson 2002).
Mittal et al (2005) find that firms with customer experience management strategies outperform other firms. The study provides evidence that customer experience based strategies might provide a superior competitive advantage. However, providing a superior customer experience can be quite expensive. Hence customer experience based strategies in retailing will provide superior performance only when they are combined with efficient processes which can control costs.

2.4 LITERATURE ON THE VARIOUS DETERMINANTS OF CUSTOMER EXPERIENCE

2.4.1 Social Environment

The customer’s experience is impacted by the social environment. There are often multiple customers in a store simultaneously and the experience of each customer can impact that of others. A customer demanding attention from the sales person can take away the experience of another customer who is also in need of help. Customers often visit a retail space with friends or family members. This can also affect the customer’s own experience as well as that of fellow customers. (Verhoef et al 2009).

Customers can also affect other customers directly by the different roles that each customer may assume. Some customers are disruptive, while some may assist fellow customers by playing the role of an advisor, with the other customers assuming the role of advisees. McGrath and Otnes (1995) developed a typology of roles that strangers can play in a retail environment. They identified specific roles such as the help seeker, helper, competitor, and complainer, among others. The positive and negative effects of customer-to-customer interactions have been empirically documented for the tourism industry (Wu 2007).
Companies can gain by having knowledgeable customers who can assist other customers. Fostering such exchanges can, therefore, be rewarding for the company. This also relates to the notion of using customers as partial employees, so that they may help in disseminating useful customer knowledge that can influence the customer’s experience (Harris and Ogbonna 2002).

Occasionally, customers may destroy the experience of other customers in an attempt to sabotage the company (Harris and Reynolds, 2004). Apart from the direct negative effect that it can have on the company (e.g., damaging company property, lowering employee morale and increasing employee turnover), it can also ruin the experience of other customers.

Martin (1996) has identified several customer categories (e.g., grungy, inconsiderate, crude, violent, gregarious, malcontent, leisurely) that may affect other customers’ experience and highlighted the importance of customer compatibility and the need to manage customer conduct to influence expectations and prevent misbehaviour by posting codes of conduct, designating certain time periods for certain customers, or grouping compatible customers by offering multiple sections. Since customers share the retail environment, the need for compatibility management has emerged. Compatibility management involves attracting similar customers and managing the service environment to foster customer-to-customer interactions that enhance customer satisfaction (Martin and Pranter 1991).

According to Lovelock and Wirtz (2004) within the service delivery system, a customer’s overall experience is affected by various potential interactions: interactions with service (contact) personnel, interactions with internal and external physical surroundings (including equipment), and interactions with other customers.
In many service contexts, customers receive a service simultaneously while other customers are being served. Therefore, fellow customers who are present in the service environment can affect the nature of the service outcome or process. Fellow customers can either enhance or detract the customer satisfaction and perception of quality (Grove and Fisk 1997).

2.4.2 Service Interface

Technology-based service delivery systems are becoming an integral part of shopping, and hence are critical to examine their impact on customer experience. The technology-mediated interactions in retailing are demonstrated by the introduction of various systems within the traditional brick-and-mortar shopping environment (e.g., self-service check-out counters). (Verhoef et al 2009).

According to Parasuraman and Grewal (2000), employees in retail establishments are part of the service interface that influences customers’ overall experience. Any adverse impact that the introduction of self service technologies may have on employees (e.g., fear of job loss and hence lower morale and satisfaction) can adversely affect the nature of their interactions with customers and hence the customers’ experience. Therefore, technology and employee behaviour have an effect on customer experience.

Parasuraman (2000) proposed a “pyramid model” of services marketing that expands the two-dimensional triangle in the traditional “triangle model” – representing company–customer, company–employee, and employee–customer interactions into a three-dimensional pyramid with “technology” at its apex to reflect the fact that the interactions among companies, employees and customers are increasingly likely to be mediated by some form of technology.
Service interface refers to the interaction between the customer and the service person throughout their entire experience with the retailer. It also includes the ability of the service person to provide information on products and the service person’s ability to offer customization (Verhoef et al 2009).

According to Reinders et al (2008), traditional service was increasingly replaced with technology-based self-service (TBSS). The study developed a conceptual model to investigate the impact of forcing consumers to use TBSS. The model was tested using an experimental design within railway (ticketing and travel information) contexts. The results showed that forced use led to negative attitudes towards using the TBSS as well as towards the service provider thereby lowering the experience of the customer. The findings also showed that offering interaction with an employee as a fallback option offsets the negative consequences of forced use.

Mitchell (2010) finds that friendly and knowledgeable employees are the most important elements in delivering a positive shopping experience. In addition they help the customers to find their way around the store and find products according to their needs.

According to Nickson et al (2005) the behaviour and appearance of front-line workers are crucial and customers feel that well-presented, courteous, helpful and empathetic staff plays a key role in providing quality service. The employees who are presentable and knowledgeable provide a competitive advantage in the retail industry.

The importance of store personnel was explained by McGoldrick (2002) that even in settings dominated by self-service, the service provided by the store staff could exert a major influence upon retail image and patronage decision.
2.4.3 Retail Atmosphere

Music has been shown to affect consumers’ responses to retail environments, in a positive manner (Baker et al 1992). Hui et al (1997) say that music in the retail environment is like adding a favourable feature to a product and the outcome results in a positive evaluation of the environment. Presence of music will result in customers having more favourable evaluations of a store’s environment. Therefore, an important component of retail atmosphere is music and it is less expensive to play suitable music in a store to entertain customers.

Various types of music may have a differential effect on store atmosphere in other types of stores. Country-western music contributes positively to the perception of a Wal-Mart store. Classical music was chosen on comparison with the other types of music in a high end retail store because it fits the context of luxury goods (Areni and Kim 1993).

According to Levy and Weitz (2004), atmospherics can make customers less aware of their wait time because they are either distracted or entertained. Stores can creatively use a store’s layout or method of displaying merchandise to alter customers’ perceptions of the atmosphere. Alternatively, they can enhance the store’s atmospherics through visual communications (signs and graphics), lighting, colours, and even scents.

Music has been observed as a powerful stimulus in shaping retail experience. It is widely used for attention, identification, association, and remembrance in retailing. As a key ambient factor in retail environment, music engages, entertains, energises, refreshes, involves, and creates a pleasurable and memorable experience for the shoppers. Background music has a direct impact on shopping experience by influencing the purchase needs,
overall affective evaluations, and service evaluations (Herrington and Capella 1994).

Bitner’s (1992) conceptual framework for servicescape gives a detailed description of environmental variables for understanding the impact of physical surroundings on customers and employees. The model was based on the premise that human behaviour is influenced by the physical settings. Servicescape categorized physical environment into three composite dimensions: ambient conditions, spatial layout and functionality, and sign, symbols and artefacts. It was said that interactions with physical settings led to individual internal responses (cognitive, emotional, and physiological) resulting into approach or avoidance behaviour.

Shopping in modern retail stores is essentially a sensory experience where attempts are made to engage, entertain, involve, and absorb the customers through all five senses. Music, lights, colours, displays, fragrances, soft and cosy ambience can shape up shopper’s mood and behaviour. Music acts as a powerful sensory stimulus to trigger emotional and behavioural responses leading to a unique, memorable, and pleasurable shopping experience in retail stores. It not only sets the mood and motivate people to buy, but also allows for creating brand image (Jain and Bagdare 2009).

As environmental psychology theory argues, the most important role of a space (the store) is its ability to facilitate the goals of its occupants (Canter 1983). Hui, Dube, and Chebat (1997) suggest that music that is perceived as favourable may influence consumers' perceptions of the time spent waiting and thus would reduce consumers' perceptions of time/effort costs.
Mehrabian and Russell (1974) say that the influence of physical environments is affective. Poorly designed store environments may reduce shopping pleasure and lead to the deterioration of customers' moods.

The servicescape framework includes three environmental dimensions, ambient conditions, space and signs, symbols or artefacts. These have varying cognitive, emotional and physiological impacts on customers, which cause approach or avoidance behaviour (Bitner 1992).

Baker et al (2002) categorize the elements of in-store atmosphere into physical features like design, lighting, and layout, ambient features like music and smell, and social features like type of clientele, employee availability and friendliness. They note that atmosphere can affect consumers’ perceptions of the economic and psychological costs of shopping in a store and find that pleasing physical design lowers both economic and psychological costs while music lowers the latter.

In summary, pleasing in-store atmospheres provide substantial hedonic utility to consumers and encourage them to visit more often, stay longer, and motivate the customers to purchase more. Even if the products and brands stocked by a retailer are similar to others, the ability to create a strong in-store personality and rich atmospherics can play a crucial role in building customer experience.

2.4.4 Product Assortment

Assortment is defined by retailers as "the number of different items in a merchandise category" (Levy and Weitz 1995). Retailers fear that when shoppers notice that the offering has been reduced, it will lower their assortment perceptions, and would less likely shop in that store. Therefore,
retailers need a clear understanding between the number of items offered in a category and assortment from the consumer's perspective.

Retailers attempt to offer a balance among variety (number of categories), depth (number of stock-keeping units [SKUs] within a category), and service level (the number of individual items of a particular SKU). Yet retailers also are constrained by the amount of money they can invest in inventory and by their physical space. Offering more variety thus may limit the depth within categories and the service level, or both. By making appropriate trade-offs with respect to variety, depth, and service levels, retailers hope to satisfy customers’ needs by providing the right merchandise in the right store at the right time. If the retailer fails to provide the expected assortment, customers defect, causing losses in both current and future sales. The diverse nature of the marketplace also demands that retailers tailor their assortments to local tastes (Mantrala et al 2009).

In terms of assortment available in different formats, Fox and Sethuraman (2006) observe that consumers’ assortment preferences depend heavily on the purpose of the shopping trip. These preferences affect both the variety and depth of assortment decisions. If the goal is to stock up on groceries, shoppers prefer stores that offer larger assortments, because they can ease the cost of searching through the assortment by purchasing a larger basket of goods. For quick trips, however, smaller assortments that require fewer searches tend to be preferable. As a result, stock up trips often occurs in supercenters and supermarkets, whereas quick trips tend to focus on convenience stores and drugstores.

Product assortment has affected shopping behaviour and patronage patterns (Brown 1989). It is said that assortment has the greatest effect at grocery stores, with positive and high impact on patronage and spending. Assortment can be described as the ability of the retailer to offer an
assortment of products by providing the consumer with variety, uniqueness, and quality (Verhoef et al 2009). Consumers desire flexibility in their choices and demand an array of products to choose from in order to meet their ever-changing goals, needs, and social situations.

Retailers are hesitant to adopt efficient assortment because of concerns that reducing the number of units they carry will lower consumer assortment, perceptions and, consequently, will reduce the consumer’s will to shop at their store. The results of the study suggest that retailers can make moderate reductions to the number of items offered without negatively affecting assortment perceptions (Broniarczyk 1998).

In regard to consumer preference for assortment, it is seen that consumers generally prefer larger assortments to smaller assortments because of the greater choice benefits available from larger assortments. Hence retailers often create assortments offering numerous options (Broniarczyk, Hoyer and McAlister 1998).

Conflict exists regarding the effect of larger assortments and how it influences consumer preferences. It is said that a large assortment requires consumers to evaluate many options which can cause consumers to experience frustration and conflict that may actually detract from the attractiveness of the assortment (Chernev 2006).

Retailers frequently attempt to attract shoppers by offering large product assortments. Although large assortments benefit consumers by providing many choices, it also challenges consumers to think more while making purchase decisions. Therefore, when retailers offer extensive product assortments it may diminish the assortment’s attractiveness (Boyd and Bahn, 2009).
2.4.5 **Price**

According to Sajeevan and Jain (2009) in order to serve the customers in a better and efficient way, retailers have come out with loyalty programs. The study gives an insight into the various aspects of loyalty programs with a detailed analysis of the retail sector. It is an attempt to know the satisfaction level of the loyalty card holders. The analysis reveals that the customers at present are moderately satisfied with the cards and the privileges. The loyalty program needs a major revamp for a better future in the Indian retail industry to retain and lure more customers.

Ndubisi (2006) evaluated the effectiveness of sales promotional strategies in the purchase of low involvement products. In this study five promotional tools were investigated for their impact on consumer buying behaviour. Results showed that consumers responded more to free sample, price discount, in store display, and bonus packs than coupon.

Kwon and Kwon (2007) in their study found that there was significant gender difference in deal proneness. It was found that men were using rebates higher than women and women used coupons at higher rate than men. An interaction effect between enjoyment of shopping and gender was also found. It was seen that men who enjoyed shopping were prone to promotion.

Rajagopal (2008) analyzed the compulsive buying behaviour induced by store based promotion and discussed buying behaviour with reference to the point of sales promotion offered by retail firms. Results indicated that point of sales promotion became one of the most effective tools in acquiring new customers and retaining the loyal customers. It was found that loyal customers were more inclined towards the store brands during
promotion while new customers were price sensitive and attracted by in store sales promotion and volume discounts.

Das and Kumar (2009) conducted a study to find out the impact of sales promotion on buying behaviour of retail customers. Results show that the probability of repurchase is more when customers get the same promotional benefit in future also. It shows that retail promotion plays a limited role in influencing customer buying behaviour.

Chavadi and Kokatnur (2010) studied various factors which drove the customers into a shopping mall and the effectiveness of sales promotion of those malls. Price discount, offers, free gifts and samples are the four promotional tools chosen for this study. Evaluation of promotional strategies reveals that price discount and offers influence consumer’s buying behaviour. It can be seen that sales promotion techniques are effective in creating a better experience for the customer.

Bucklin and Lattin (1992) show that retail promotions of products do not directly influence a consumer’s store choice decision, but they indirectly affect where the category is purchased. Consumers typically shop in more than one store. They may purchase a promoted product in the store they happen to be visiting whereas they would otherwise have purchased it in another store. This also shows the important moderating effect of in-store atmosphere. The impact of promotions will be higher in a pleasant atmosphere because the longer consumers stay in a store, the more likely they are to notice promotions and buy more than planned during the shopping trip.

By the definition of Verhoef et al (2009) the factor of price in the concept of customer experience is defined by the way customers perceive loyalty programmes and discount policies. Relationship marketing tactics, such as loyalty programs, company credit cards, and e-mail promotions are
becoming increasingly popular. Benefits offered to a consumer for engaging in relational exchanges include price decreases, special offers, personalized attention, and customized products. With such benefits, the assumption is that consumers will want to develop a relationship with an organization and be rewarded for their loyalty.

Success in retailing is about delivering the highest possible quality at consistently lower prices. Loyalty cards can help the retailer to instantly achieve attention from the customers. Regular communications about the various loyalty programmes and the promotional deals of the store will enable the retailer to establish a good relationship with the customer thereby directly having an effect on the shopping experience (Bellizi and Bristol 2004).

Bolton et al (2000) found that members of loyalty programs were less likely to switch retailers when they had a poor consumption experience than consumers who were not members of a loyalty program. This indicated that forming a relationship with a customer (in this study through a loyalty program) often helped an organization from losing customers when they encountered a service or product delivery failure.

2.4.6 Customer Experiences in Alternative Channels

Palmer (1997) explored the impact of electronic commerce in retailing. Four retailing channels were examined; they were in-store, catalogue, cable TV and electronic retail. One hundred and twenty products were purchased across four channels to identify distinctions between them on key product characteristics including price, product description and display, time to locate and delivery. The study suggested that differences existed between the channels in terms of degree of interactivity, the level of information supplied about the product, the ability to compare products and the degree of human intermediation.
According to Rosen and Howard (2000), "Electronic commerce is the carrying out of business activities that lead to an exchange of value across telecommunications networks". E-commerce offers advantages for retailers in the form of increased market access and information, and decreased operating and procurement costs. For consumers, the benefits accumulate in the form of enhanced price competition, customization of products, detailed information on goods and services, increased choice of products, and greater shopping convenience. E-retail has the potential to increase brand awareness, direct customers to physical retail establishments and enhance the in-store retail shopping experience.

The study by Vellido et al (2000) extracted nine factors associated with users' perceptions of online shopping. Among these factors the risk perception of users was demonstrated to be the main discriminator between people buying online and people not buying online. Other discriminating factors were: control over and convenience of the shopping process, affordability of merchandise, customer service and ease of use of the shopping site.

Rice (1997) adds that enjoyment of the online shopping experience is an important determinant of retaining the online shopper’s trust and perceived risks. Many online purchasers said that they would not shop on a particular website next time if they had an unpleasant experience with it.

The study by Mukerji (2007) shows the growth and extent of internet usage in India with 22 percent new users being added every year. The study estimates the current population of urban online Indians who use the internet regularly to be around 22 million. Internet is no longer an elite, big city phenomenon. Hence, it is essential for the retailers to focus on this huge growth segment.
Jain and Jain (2011) conducted a study to examine the impact of various consumer and product characteristics on adoption of e-commerce among consumers in India. Past online shopping satisfaction, recreational shopping orientation, education and income emerge as significant factors affecting consumer past online purchases. In respect of future online shopping intentions, only three consumer related factors viz., past online shopping satisfaction, past online shopping frequency and education are found as significant predictors. Amongst product characteristics, product expertise is found to be negatively related to consumer future online purchase intentions.

According to Sousa and Voss (2006), Services employing virtual channels of delivery such as the Internet are typically multichannel. This study recognises that customer experience is formed across all moments of contact with the firm through several channels.

According to Weiss, Voss and Grewal (2003) in the current situation where a number of channels is in existence, it is likely that the customer has experience with multiple channels. They may rotate channel use among a set of acceptable channels, so that as the number of channel options grows and each channel creates specific customer value and contributes to overall satisfaction. In a multichannel context, the online channel is assessed relative to a benchmark alternative channel usually the in store experience. In the absence of channel-specific performance expectations, the service provider's alternative channel constitutes the reference point for customers’ evaluations.

2.4.7 Retail Brand

The customer comes to a retailing environment with perceptions about two types of brands: the retail brand (e.g., Victoria’s Secret, Starbucks, Wal-Mart, Macy’s, Best Buy) and the manufacturer or service brand that is
sold in the retail stores (e.g., Verizon, Ralph Lauren, Tide, Dell, private label brand) (Verhoef et al 2009).

Customers’ brand perceptions may influence their customer experience. Fitzsimons, Chartrand, and Fitzsimons (2008) found that the type of brand and consumers’ perceptions of the brand can influence their behaviour. Ofir and Simonson (2007) found that customer expectations had a significant effect on post purchase evaluations of the shopping experience of the firm. This suggested that customer brand perceptions (of the retailer), when prepared prior to shopping experience, might significantly influence the customer’s experience. It is also important to consider the reinforcing effects of the customer’s experience and the brand over time. The interaction of the brand and the customer’s experience may also be bi-directional. The research suggested that customer experience had a significant influence on the customer’s overall perception of the brand.

Keller (2003) says that brand knowledge is the thoughts, feelings, perceptions, images and experiences that become linked to the brand in the minds of the customers. All of these types of information can be thought of in terms of a set of associations to the brand in customer memory.

Retailers are in a position to create experiences for their customers. These experiences may involve their own private labels, manufacturer brands, or the store as a whole. Retailers engage in activities to encourage product use and communicate or demonstrate product information to build brand awareness and enhance brand image for the individual products or services that are sold (Ailawadi and Keller 2004).

Consumer perceptions of the dimensions of retailer image can help develop strong and unique retail brand associations in the minds of consumers. They also influence the utilitarian and hedonic benefits that
consumers feel they gain from retailer patronage and ultimately the price premium consumers will pay to shop at the retailer. By influencing consumer preferences and shopping behaviour in these ways, retailers’ image becomes an important base for their retail brand equity. The importance of retail image varies for different retail formats, different consumer segments, and even for different purchase occasions for the same consumer, thus providing ample opportunity for retail brands to differentiate themselves from one another (Ailawadi and Keller 2004).

A large portion of the retailers’ revenue and profit comes from selling manufacturer brands, which many of their competitors also offer; hence building their own equity offers potential rewards. Such equity insulates them from competing retailers, which has the direct impact of increasing revenue and profitability (Ailawadi and Keller 2004).

Davis et al (2000) undertook a study to understand online consumer shopping experiences. The qualitative study reveals that the retail company is the primary brand. This defines the consumers' experiences when shopping online in terms of service attributes, symbolic meanings and functional consequences of the service encounter. To fulfil this role the retail brand acts as a “relationship lever” upon which trust is built between a consumer and service provider. It shows that the brand creates “experiential image,” “service experience promise” and “relationship trust.” The study also highlights the need to have a broader conceptualization to rethink the traditional image and logo view of the brand.

Berry (2000) study provides insight into the way brands play a broader role. The study suggests that the brand's “meaning” that the customers derive from their experiences is more important. Hence, the retailer becomes the primary brand rather than the product. This implies that the
consumers' experiences with the retailer and its employees delivering the service offer are the major determinants of brand meaning.

2.4.8 Past Experience

Memories from earlier experiences may play a crucial role in customers’ assessment of the current experience. Customers’ earlier experiences must be included when trying to understand the customers’ service experiences formation. That shows that customers have a personal pre-knowledge and pre-experience when arriving at a retail outlet (Walter et al 2010).

In the holistic approach to customer experiences, it is critical to recognize that a customer experience is not limited to the customer’s interaction in the store alone. Rather it is impacted by a combination of experiences which evolve over time, including search, purchase, consumption and after-sales phases of the experience (Neslin et al 2006). It may also involve multiple retail channels and repeated experiences within a channel. Thus, it is important to consider the previous experiences when studying the customer’s experience.

According to Mittal et al (1999) studied the longitudinal data on customer satisfaction over time from the same group of customers. Results indicated the fact that current customer satisfaction affected future expectations. The outcome of the study had shown that current satisfaction scores were strong predictors of future satisfaction scores. This suggested that satisfaction scores were reinforced over time and that there were strong carry-over effects. Phenomena similar to satisfaction could occur in the broader domain of customer experience as well.
According to Bolton (1999) it is vital to have a better understanding of the relationship between satisfaction and the duration of the provider-customer relationship to identify specific actions that can increase retention and profitability in the long run. The study developed and estimated a dynamic model of the duration of provider-customer relationship that focuses on the role of customer satisfaction. The results indicate that customer satisfaction of the service provider is positively related to the duration of the relationship. The strength of the relationship between duration times and satisfaction levels depends on the length of customers’ prior experience with the organization. Customers with past experience of the organization weigh cumulative satisfaction more and new information relatively less.

Studies suggest that (1) a customer’s prior satisfaction is positively associated with his/her purchase intentions and subsequent behaviour (2) service that meets or exceeds a customer’s expectations increases his/her preference and (3) a customer’s assessments of a service vary over time as he/she gains experience with it. It seems likely that these processes may influence customers’ decisions about the duration of their relationship with the organisation. These are supported by a laboratory study concerning hotel visits by executives (Boulding, Kalra and Staelin 1997).

2.4.9 Situation Moderator

2.4.9.1 Location

A convenience orientation is a key benefit that shoppers seek in the modern environment. Consumers’ perceptions of convenience (e.g., opening hours, location, and parking) will have a positive influence on their satisfaction with the service (Berry et al 2002). Consumers’ perceived expenditure of time and effort interacts to influence their perceptions of service convenience, and retail facilities are designed to affect those time and
effort perceptions. For example, a central location can reduce the transaction costs associated with shopping (e.g., transportation cost, time spent).

The law of retail gravitation (Reilly 1991) suggests that the potential attraction of a shopping centre is assumed to be inversely proportional to the driving time from a shopper’s home to the centre. The central place theory (Craig et al 1984) suggests that central business districts and regional shopping centres that offer a large agglomeration of goods and services attract customers from greater distances than neighbourhood centres that offer fewer goods and services. Empirical evidence supports these theories by showing that easy accessibility has a high correlation with shopping centre selection (Bellenger et al 1977). In addition to a convenient location, other convenience incentives provided by retailers, such as longer operating hours or ample parking, can draw patrons to a store (Hansen and Deutscher 1978).

Virtually all models of retail competition and shopping behaviour specify store patronage as a function of the distance from the store to the shopper’s home. Model includes a measure of distance in the form of travel time, which is operationalised as the time in minutes it takes to travel from the household to the nearest store of a given chain. The underlying assumption is that the shopper travels from home to the closest store of the selected chain, and then returns home. In reality, shoppers may reduce their travel time by linking shopping trips together or combining store visits with other required travel. “Trip chaining,” as this practice is called (Thill and Thomas 1987), results in shoppers requiring less than the measured travel time to make a store visit and possibly shopping more than expected at distant stores.

In the case of mass merchandisers, differences in travel time across households that patronize the format do not affect their expenditures. This may be caused by the higher expenditures per trip at these low-priced stores
(Fox, Metters, and Semple 2003) offsetting the reduction in trips because of longer travel times.

Customers seeking to maximize their shopping time will often drive past weaker malls to reach destination malls that have the best variety of stores and merchandise (Ashley 1997).

Motivations for shopping out of the local area are numerous (e.g. better selection and quality of merchandise, convenient store hours, and better prices). Study has shown that an exciting shopping environment attracts shoppers from distant locations (Lumpkin, Hawes, and Darden 1986).

Retail location theory indicates that consumers prefer to shop as close to home as possible, all other things being equal (Thompson 1967). The extent to which consumers are willing to travel to a shopping centre outside the local trading area, then, is inversely related to the extent to which the local shopping centres fulfil their shopping needs (Hozier and Stem 1985).

The consumers who are travelling greater distances to shop at the mall are doing so because they perceive the mall in relatively positive terms. Comparison was drawn between the perceptions, characteristics, and reported shopping behaviour of (1) those who drive to this mall from outer areas (12-30 miles drive) and for whom this mall is still closer than the larger regional malls with (2) the locals who live within the county (less than 12 miles from the mall).

2.4.10 Consumer moderator

2.4.10.1 Goals

Previous research found that two fundamental motivational orientations were behind the different shopping motives. The first
motivational orientation (e.g., economic, utilitarian) involves consumers engaging in shopping out of necessity to obtain needed products, services, or information with little or no inherent satisfaction derived from the shopping activity itself. This motivational orientation is referred to as the “task-oriented motivational orientation.” The other motivational orientation (e.g., recreational, hedonic) describes consumers engaging in shopping to derive inherent satisfaction from the shopping activity itself. The shopping activity is freely chosen, without any need to engage in it. This motivational orientation is referred to as the “recreational motivational orientation.” The two fundamental motivational orientations identified in the shopping behaviour literature are consistent with the fundamental motivational orientations identified in psychology (Apter 1982).

According to Kaltcheva and Weitz (2006) task-oriented consumers derive satisfaction from the outcome of the shopping activity (the acquisition of the needed product, service, or information) rather than from the activity itself, their focus is on efficiently completing the shopping activity and obtaining its outcome with minimum expense of energy. Such consumers would find that the high energy demands in high-arousal environments require more effort to complete the shopping activity and therefore, would find such environments to be unpleasant. In contrast, the recreational motivational orientation involves pursuing shopping to derive intrinsic rewards from the shopping activity itself. Such consumers’ desire rich experiences from shopping and therefore would find the high energy demands in high-arousal environments to be pleasant; conversely, they would view environments that call for less energy mobilization as unpleasant.

The moderating effect of motivational orientation was studied based on the shopping behaviour of the customers by Milliman (1982). The study found that motivation decreased purchasing intentions and spending in
supermarkets. In contrast, Sherman, Mathur, and Smith (1997) find that motivation has a positive effect on purchasing intentions and spending in mall-based fashion stores. Few consumers find shopping intrinsically satisfying (Levy and Weitz 2004). Thus it can be assumed that consumers shopping for groceries are likely to have a task-oriented motivational orientation, which explains Milliman’s results. Conversely, consumers often visit mall-based fashion stores as a form of recreation.

2.4.10.2 Involvement

Zaichkowsky (1985) refers to involvement as an individual's "perceived relevance of an object based on inherent needs, values, and interests." Richins and Bloch (1983, 1986) indicate that involvement may be either situational (temporary) or enduring (lasting). A consumption experience may have temporal importance due to the situation (i.e., situational involvement), as when an individual must make an expensive purchase such as a personal computer. The object of the consumption experience may also be the subject of an individual's interest (i.e., enduring involvement) who willingly devotes considerable time and energy relative to shopping.

Some individuals may have an enduring involvement with shopping. Such individuals may receive hedonic pleasure directly from the time spent exploring the shopping environment, while others may visit a shopping centre to perform a shopping plan and exit (Babin et al 1994). Previous research indicates that higher involvement leads to higher emotional arousal with the consumption experience (Mano and Oliver 1993). Individuals tend to get more excited about things that they enjoy doing. Conversely, individuals who do not enjoy the shopping activity are less excited about the experience and the environment. Thus enthusiastic shoppers (i.e., those with an enduring involvement with shopping) will perceive that the mall is more exciting than those individuals who are disinterested in shopping.
Research has also found that recreational shoppers, who are likely to have a relatively high level of involvement with shopping, visit malls more frequently than do those who shop strictly for utilitarian reasons (Roy 1994). Thus people who like to go shopping are likely to return to the mall more frequently than those individuals who care less about shopping.

The recreational shopper, compared to the economic shopper, also spends more time shopping on an average trip and is more likely to continue to shop after making a purchase (Bellenger et al 1977). Therefore, individuals who are more interested in shopping are inclined to spend more time doing what they enjoy. Conversely, the individuals who do not like shopping will want to leave the mall as soon as possible (i.e., after making a purchase decision).

According to Lin (2010), there is a positive correlation between the customers’ involvement levels and experience values. The study suggests that the key to the success of experiential marketing by museums and art galleries is how to highlight their main themes and deepen customers’ thinking experiences, in addition to the facilities.

Highly involved individuals seek out information actively and draw on more information than individuals with low involvement (Park et al 2007). With low involvement, more information consistent to pattern is retained than with high involvement, meaning that consistency of information provided is particularly important with low involvement.

According to Shao et al (2004), appropriate dress by service personnel influences purchasing behaviour, particularly for customers with low involvement. In addition, people with low involvement frequently fall back on central, salient characteristics/features of a schema, thus it is wise to
communicate only a small amount of information under low-involvement conditions.

The study by Bloemer and de Ruyter (1998) focuses on the role of involvement in building a strong retail brand. The study concludes that the higher the involvement of consumers, the greater their personal interest / relevance and their emotional and cognitive commitment. It can be said that highly involved individuals seek out information actively and draw on more information than individuals with low involvement.

Involvement has a positive influence on the relationships between two constructs. Involved consumers value the product more, engage in more product-related activities, and have a better knowledge of product attributes and prices (Richins and Bloch 1986).

In an analysis of the effects of loyalty programmes on value perception, programme loyalty and brand loyalty, Yi and Jeon (2003), show that value perception of the loyalty programme influences brand loyalty both directly and indirectly through programme loyalty. Under low-involvement conditions, there is no direct effect of value perception on brand loyalty. Thus, a largely positive influence is weakened by the moderating effect of low involvement to the extent that this positive effect no longer exists.

If involvement is higher, customers take more notice of the retail firm’s communications and can thus form an opinion more easily (Chandrashekaran and Grewal 2003). On the other hand, customers with low involvement only perceive a firm’s communications subliminally or to a limited extent because, that is they are less interested in the retailer or the retail sector concerned and what it has to offer.
2.5 LITERATURE IN INDIAN CONTEXT

Ali et al (2010) in their study, proposed a marketing strategy for a modern food/grocery market based on the consumer preferences and behaviour. A total of 101 households having sufficient purchasing power were personally surveyed with a structured questionnaire. The preferences of the consumers clearly indicate their priority for cleanliness/freshness of food products followed by price, quality, variety, packaging, and non-seasonal availability. The consumers' preference of marketplace largely depends on the convenience in purchasing at the marketplace along with the availability of additional services, attraction for children, basic amenities and affordability. The results of this study suggest that most of the food and grocery items are purchased in loose form from the nearby outlets. And, fruits and vegetables are mostly purchased daily or twice a week due to their perishable nature, whereas grocery items are less frequently purchased.

Hemalatha et al (2009) suggested that store attributes appeared to be a promising market segmentation criterion. The study focused on the store attributes as a possible criterion to segment the shoppers. They started by analysing the importance of consumer segmentation to the retailers. A segmentation analysis of clothing and apparel shoppers in India was performed. First, a hierarchical cluster analysis was carried out, and then k-means cluster analysis was done which identified three meaningfully differentiated customer groups. Further, a classification tree analysis was performed to identify the store attributes that differentiated the clustered groups. Finally, three clusters of Indian shoppers, namely, economic shoppers, convenient shoppers and elegant shoppers were identified.

Agarwal and Mehrotra (2009) found (using Regression, Data Envelopment Analysis and Sensitivity Analysis) how efficiently some of the top organised India retail companies have been performing relative to each
other over the years. Thereby, they identified factors that help increase the efficiency of a retail company. The study is helpful in enabling Indian retail companies gain a competitive advantage in the face of increased competition being faced in the emerging organised retail sector in India. The findings brought forth Advertising and Marketing expenses as the significant performance determining factors to be paid attention.

Choudhary and Sharma (2009) conducted a study in Chandigarh Tricity (Chandigarh and its satellite cities of Mohali and Panchkula) keeping in view the dynamically growing organised retail there. The data of 200 retailers for the present research covered the time frame of year 2007 to 2008. After an extensive literature review, it was found that size of retail stores and their location played a significant role in measuring the operational efficiency of retail stores. An empirical analysis was conducted using chi-square test of independence to understand the role and contribution of the type of retail formats on operational efficiency and to examine the impact of location on the same. It was concluded from the data analysis that there is significant influence of the format of retail stores and location on the operational efficiency.

According to Chakraborty (2010), Indian retail is a booming sector and mainly the organising retail sector is witnessing a radical change. Indian consumers are looking for product variety. One of the internationalised retail formats is discount store format. Managing this particular retail format in Indian culture needs an understanding of India and customers' perception towards the discount store format. Shopping motive is an important functional element to lead the shopper to market place. Shopping motives changes are based on culture, retail format, economic and social environment. The author identified the driving shopping motives of Indian discount store shoppers. A total of 270 were taken as the sample out of which 252 were considered for
the final study. Factor analysis extracted three shopping motives, two of which relate to hedonic shopping motive and one to utilitarian. The factors were named as diversion, socialisation and utilitarian. Other three dimensions of the study were store attributes, shopping outcomes and shopping perceived cost. Under each dimension factors related to discount store were identified. The identified factors can be the key for discount stores for understanding their shoppers.

2.6 RESEARCH GAP

The existing literature on customer experience is mainly focussed on identifying the various determinants conceptually. Various studies agree that effective retail management strategies have been linked to the creation of customer experience (CE), which in turn leads to successful performance outcomes (Gentile et al 2007; Grewal et al 2009; Tynan and McKechnie 2009; Verhoef et al 2009). Yet, 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. These publications tend to focus more on managerial actions and outcomes than on the theories underlying the antecedents of customer experience.

The review of literature assisted in identifying the following research gaps which have been dealt in the study.

Most of the studies on customer experience in retailing are theoretical with focus on the outcomes or have talked about the influence of one single determinant on customer experience. In the present study a comprehensive model is used to investigate the effect of the various antecedents on customer experience namely social environment, service interface, retail atmosphere, assortment, price, alternate channel experience,
retail brand and previous experience. For this research, conceptual model of
customer experience creation proposed by Verhoef et al (2009) has been used.
Understanding the various antecedents would enable the retailers to frame
suitable strategies for enhancing customer experience in the current scenario.

The study not only addresses the antecedents it also takes into
consideration the moderating effect of the situation moderator-location and
consumer moderator-involvement and goal.

Many previous studies in retailing have been carried out with focus
on the customers belonging to one particular retail format. This study on
customer experience is carried out on six different retail formats that are
widely seen in the Indian retailing scenario namely supermarkets, department
stores, hypermarket, malls, branded stores and speciality stores.

Studies conducted in the past have focussed on foreign markets and
there was a need to conduct a study in Indian context to establish the
relationship between the various determinants and customer experience. The
present study is an effort to find out the effect of determinants on customer
experience in retail formats and to see if there is any variation across retail
formats. In general the research gaps can be summed up as

- The proposed model is a theory based conceptual model.
- Empirical testing of the model has not been carried out so far.
- The model has not been used to study retail sector in the
  Indian context.
- In general there is a scarcity of systematic scholarly research
  on customer experience construct.
2.7 CONCLUSION

This chapter has presented a review of literature related to customer experience and the various determinants in the model. Literature related to retailing in India, the current scenario and the various formats of retailing are also dealt with in detail. A thorough understanding has helped to identify the research gap. Based on the review of literature the following chapter contains the research model, hypotheses and the proposed methodology.