CHAPTER II

REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge and/or methodological approaches on a particular topic. A well-structured literature review is characterized by a logical flow of ideas; current and relevant references with consistent, appropriate referencing style; proper use of terminology; and an open and unbiased and comprehensive view of the previous research on the topic.

Nevertheless, the wider literature informs that the consumer choice of shopping destination is determined by a well described set of determinants (Sheth, 1983). This set broadly includes, first, destination characteristics such as selection, location, access, price, product quality, service quality, branding, promotional offers and atmosphere and layout. Not surprisingly these factors were the ones that also appear in typical summaries of the ‘retail marketing mix’.

The second group of determinants comprises consumer characteristics such as age, income and location, and motives and values (Oppewal et.al., 1997; Timmermans, 1982)² &³. Determinants in the third group relate to the details of the product category and the situation in which the shopping task is to be conducted and/or in which the product is consumed. This group includes time available for shopping, in-home versus out-of home usage, urgency of requiring the goods, composition of the shopping list, and the activity scheduling, among others (McGoldrick and Thompson, 1992)⁴.

Shopping destinations can be defined at either the level of a shopping centre, or shopping strip, or at the level of an individual store. Many studies have focused on shopping centre choice (Frasquet et.al., 2001), aiming to predict footfall or turnover at shopping centers after some change to the shopping centre or to its competitive environment⁵.

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It was typically assumed in these models that larger centers will be more attractive since they offer larger product assortments, which facilitate comparison shopping. As the centre choice is the dependent variable in these models, there can only be approximately predicted footfall at individual stores (Bell, et.al., 1998). Store choice models better serve this purpose but they typically only include store features or, only to a limited extent they include variables describing the environment (Arnold, et.al., 1996).

Store choice models also are typically concerned with only single purpose shopping trips, which prohibit their use for assessing effects of the joint presence of different stores on store choice. Some studies however include characteristics of individual stores, especially anchor stores, in order to assess the “pull” that such anchor stores would have for the total centre and the level of cross shopping between different types of stores such as discount and department stores (Finn and Louviere, 1996).

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One study estimated a nested logit model of the joint choice of department store and shopping centre that included shopping centre as well as department store features as predictors (Ahn and Ghosh, 1989). Finally, there were dedicated multipurpose shopping models that in principle allow estimating these various effects (Arentze et. al., 2005) but due to their complexity and data requirements these models were less easy to apply, especially when there were larger numbers of predictors. Dellaert et.al., 1998).

However, for those who feel highly satisfied it will not be too easy to make them change their choice because high satisfaction will create emotional bond toward certain product. The strategy to enhance customer satisfaction is by enhancing service quality as customer satisfaction is very much important for the company and it is the strong determinant factor of repeat purchase decision, positive word of mouth and consumer loyalty.

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The service quality can also influence the consumer decision to behave or his behavioral intention, in such a way that the consumers stays loyal to a certain service provider or he switches to other service provider.

Further implication from this behavior is it strengthens the relationship or connection between customers and the company. On the contrary, if the service delivered is perceived less satisfying or low satisfactory, then the consumer decision will become unfavorable such as of complaining, or switching to other company, spending less and eventually weakening the relationship between customers and the company (Zeithaml et.al, 2001).12 Tigert and Ring (1994) in Triyono (2006) have developed other basic concepts to reach success in retail business by studying deeply into the concerning retailing mix concept that has 5 dimensions i.e. place, product, value, people, and communication13. In order to reach consumer satisfaction, the retail business players have to implement the concept of retailing mix consistently.


Otherwise, the consumers will not get satisfied and will move on to other places (Levy and Weitz, 1995)\(^\text{14}\). This research has developed the result of previous researches that were conducted by Dabholkat \textit{et.al.}, (1996)\(^\text{15}\), McDougal and Levesque (2000)\(^\text{16}\), Siu and Cheung (2001) by combining the influence of retailing mix with service quality dimension in retail industry towards customer satisfaction and its influence on the behavioral intentions\(^\text{17}\).

A review of the literature on store image research has revealed that it is quite extensive (Chowdhury \textit{et. al.}, 1998)\(^\text{18}\), with some research efforts having attempted to explore the evolution of store image formation and others seeking to conduct a meta-analysis of retail patronage studies (Pan and Zinkhan 2006)\(^\text{19}\).


\(^{15}\) Dabholkar A, Thorpe I Dayle, Rentz Joseph 0. (1996), \textit{A measure of service quality for retail store scale development and validation. Journal Of The Academy Of Marketing Science}. Vol. 24. No 1. P 3-16


However, the existing literature does not reveal any prior studies where clustering techniques have been used to study consumers’ perceptions of store image. Consumers’ perception of store image is based, in part, on functional qualities that the store may possess, and on the other, less tangible or psychological attributes (Lindquist, 1974)\(^{20}\). Lindquist has analyzed over 20 studies dealing with store image formation and has identified 35 different aspects that influence store image formation. These have been grouped into nine broad categories, including, merchandise, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional attributes, and post-transaction satisfaction.

Mazursky and Jacoby (1986) conducted a similar analysis and found that “merchandise related aspects” (such as quality, pricing and assortment), and “service related aspects” (such as quality in general and salesperson’s service) are among the most important components of store image\(^{21}\).


A study by Baker et. al., (2002 confirmed that “the store image literature suggests there are linkages between merchandise and service quality, and store image.” Given the prevalence in the literature of merchandise and service as two key determinants in the formation of store image, these two attributes have been selected for this present study to gauge consumer’s perceptions of retail stores\textsuperscript{22}. These attributes are incorporated in this study by obtaining consumer similarity judgments on retailers’ “service quality” and “merchandise quality”.

The clustering of retail stores based on these two attributes will yield a better understanding of competition within the retailing industry. This is of interest from a strategic marketing standpoint in that many off-price retailers carry the same quality merchandise as other, higher priced retailers (namely, department stores and specialty stores). In previous years, competition within the retail sector is more clearly delineated pointing out that department stores tended to compete with other department stores; and in general, stores of a specific type tended to compete with like stores.

The retail food industry sector has seen dramatic changes in the past fifteen years driven in part by demographic and lifestyle changes (Morganosky and Cude, 1999; Mangaraj and Senuer, 2001)\textsuperscript{23,24}. As a result, understanding customers has become more important than ever in today's competitive economy, where declining customer loyalty and high customer turnover continue to erode profit margins (Michel, 2003)\textsuperscript{25}.

Opportunities in marketing increase when segmented groups of clients and customers with varying needs and wants are recognized. A key factor to success is finding out even slight differences to give a business the marketing edge. A business that targets specialty markets will promote its products and services more effectively than a business aiming at the "average" customer (Lake, 2007). Fundamentally, market segmentation is concerned with individual or group differences in response to specific market variables\textsuperscript{26}.


\textsuperscript{25} Michel, L. (2003), Using customer insight to build competitive advantage.”White Paper, Peppers and Rogers Group. Available at: \url{http://www.rite.us/docs/CustomerInsights.pdf}.

Although there has been limited attention to market segmentation in the retail food marketing literature, agribusinesses use segmentation to develop marketing strategies for domestic consumers. As quoted in Asp (1992), the few such examples include Pillsbury's "What's Cookin" lifestyle segmentation that divides the U.S. population into five segments based on eating behavior and Coca-Cola's segmentation of food shoppers into six groups27. Most recently, Mangaraj and Sener (2001) employ cluster analysis to segment US supermarket shoppers28 while Baltas and Papastathopoulou (2003) examine the relationship between consumer profile and brand on the one hand and store choice behavior on the other in the Greek grocery market29.

In reality, these distinctions (at least with regards to merchandise quality) may not be as clear today since off-price retailers often carry the same merchandise as specialty and department stores. No longer can the competition be viewed as narrowly – merely by store type - as it has been in the past for purposes of marketing strategy development.


28 Ibid.,

Off-price retailers strive to convince consumers that their product quality is comparable to that of department stores. This study enables us to confirm whether consumer perceptions of product quality will also yield information that would be of strategic interest to retailers.

One novel way to view store image might be to draw from the brand equity literature. In particular, one could claim that store equity could be analogous to brand equity. The literature on brand equity reveals that there are “brand-specific” associations. These are defined as “an attribute or benefit that differentiates a brand from competing brands” (MacInnis and Nakamoto 1990; Broniarczyck and Alba 1994)\(^{30,31}\).

Extending this rationale to stores, one could argue that “store-specific associations” also exist and that these consist of those “attributes or benefits that differentiate a store from a competing store”. Such “store specific associations” could include benefits and as service, atmospherics, product assortment, locations, etc.


Keller (2003) has stated that retailer equity is similar to familiarity with the store name, and that consumers use this to make inferences about the retailers’ merchandise and service offerings. When these brand associations are linked to important benefits sought by customers, they may motivate a purchase, and therefore, can ensure the product’s marketing success.

These brand-related benefits were frequently communicated and reinforced through the marketer’s promotional efforts aimed at consumers. Thus, “store-specific associations” also existed and researchers ought to explore these store effects and determine how they influence store effect, and ultimately patronage motives. Once the underlying store effects were identified, then this information can be used to develop the stores’ advertising and promotional strategies. It is clear that stores promoted their positioning in their advertising, but was that positioning consistent with consumer’s “store-specific associations”?

A review of similar studies by Lindquist (1974) served to reduce these to nine key attribute groups. He concluded, that store image was a complex concept which was difficult to explore and manage, given that it was created by a combination of both tangible (functional) and intangible (psychological) factors.\(^{33}\)

Hansen and Deutscher (1977) later compared customer store choice in two contrasting retail sectors, namely grocery and department stores. Whilst similar dimensions were identified for both of these retail sectors, the precise weightage and mix of variables was found to be different.\(^{34}\) In both cases, the most important attribute identified was the dependability of the product. However, store cleanliness, easy accessibility to the product, and speed at the checkout – all features which stress utility and time-pressure - proved the next most significant factors involved in grocery shopping. This was in complete contrast to department store shopping, where value for money, product quality and ‘fair adjustments’ were perceived as being the most important factors.

\(^{33}\) Ibid.,

A study on department stores by Schiffman et al., (1977) also reached the significant conclusion that attributes influencing department store choice were different from those involved in choosing specialty stores. Such variation in attributes involved in store image between retail sectors has served to focus more recent research within specific areas\textsuperscript{35}.

Greenberg et al., (1983) explored the fashion sector in the USA; they found that, in this particular case, product choice, promotions and the atmosphere of the outlets were the most important factors involved in consumer decision making\textsuperscript{36}. Two significant pointers emerge from the previous work on store image. First, whilst there may be some commonality of attributes between retail sectors, the precise importance and mix is, arguably, determined more by the \textit{motivation} of the customer behind each specific shopping excursion. Thus, in grocery buying, factors which make the pressure of the ‘chore’ more bearable, or factors such as cleanliness of the store, are of natural concern to the customer.


These elements are likely to be very different in other retail sectors such as department stores and fashion clothing shopping. In the case of the fashion clothing shopping, comparison between outlets - through components which are socially influenced, such as brand image and style of product offering, arguably, more influential. It can be concluded from this early work on store image that findings from one sector are not, necessarily, broadly applicable.

It is not surprising; therefore, that Davies (1992) concluded that store image was likely to be situation specific, varying according to the purpose of each consumer purchase\(^{37}\). A second pointer underlying much of this previous work was that there was not always a natural congruence between the image the retailers have of themselves, and the image which consumers have of their outlets (Rosenbloom, 1983)\(^ {38}\). However, whilst the degree of congruence between retailer and consumer perceptions of image has been stressed as important by a number of authors (Osman, 1993)\(^ {39}\).

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The most common technique employed in the methodologies of the majority of research work involved in store image measurement has been by asking consumers to rate particular outlets on pre-defined scales. Thus, the semantic differential scaling used by Osgood et al., (1957) has subsequently been widely employed40.

Others, such as James et al., (1976) have utilized attitudinal scaling techniques when evaluating attributes for a particular store (e.g. ‘very good’ or ‘very bad’), with total scores indicating how well a store fulfills consumer expectations overall41. Cassill et al., (1993) made some attempt to summarise these ratings of individual attributes by using factor analysis. They found that consumers choose to patronise individual department stores for clothing purchases when a combination of factors were present: the stocking of particular brands; the presence of the national and its own branded products; and where garments offered functional value rather than fashion appeal42.

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Manufacturers’ brands have long dominated the retail scene. However, an increasing number of retail channels have created their own private brands (or store brands, private labels). Private brands increasingly perform the same function for consumers as manufacturers’ brands. Retailers have traditionally positioned their private labels as a low-priced alternative to national manufacturer brands (Blackwell, 1997)\textsuperscript{43}. Warehouse clubs such as Price/Costco and Sam’s emerged, partly because of their capability of shifting free delivery functions, their brand promotions and high quality of products to consumers in exchange for lower prices. With the overwhelming success of some private brands in European retail (e.g. Marks and Spencer, Tesco, Carrefour) and the popularity of President’s Choice private brand in Canada, strong retail private brands have become a source of intense interest (Collins-Dodd and Lindely, 2002)\textsuperscript{44}. Retailers also yield higher margins and provide exclusive products for the reseller that can not be bought from competitors, resulting in greater store traffic and loyalty.


The retail channel stores are eager to set up their store brands (or equivalently, private brand products (Williams, 2000; Choi and Coughlan, 2006)) with mass presentation on shelves to attract customers’ attention; they might offer more value-added services to the customers\(^{45}\&^{46}\). The retail channels know that shelf space allocation is an issue because it is a limited resource, and it depends on the pricing strategies and quality of private labels (Amrouche and Zaccour, 2007)\(^{47}\).

Retail channels can also integrate their category management and their massive marketing power mix to set up programs that target at customers’ shopping preference. Some examples are buy-two-get-one-free promotions, shopping bonuses, direct mail with coupon and members’ refunds, etc. From promotional activities, retail channels know that the key factors leading to success are to get private brands established and to get the brands extended (Kolter, 2004)\(^{48}\).


Keller (2003) developed the brand report card to share ten attributes pointed-out that pricing strategy was based on consumers’ perceptions of value and he also mentioned the EDLP strategy in his private brand of “Tide” detergent manufactured by Procter and Gamble\textsuperscript{49}. Actually, today’s retail channels position their private brands with EDLP to foster favorable associations with consumers awareness of price image and even with their DM, coupon, and member’s passports (Costco, Auchuan, Sam’s Club, etc.). Using the brand report card (Keller, 2000), this study obtains the top ten traits of the promotion activities which include how private brand delivers and meets customers’ true desires; the brand makes use of and coordinates a full repertoire of marketing activities to position the private brands\textsuperscript{50}. The Carrefour hypermarket, which has developed its private brand “Carrefour” with diverse packaging and its “own brand” promotion with direct mail for special issues, tried to build a beachhead in channel marketing rather than competing in the quality arena (Porter, 1985)\textsuperscript{51}.


\textsuperscript{50} Ibid.,

\textsuperscript{51} Porter ME (1985). Competitive Advantage-creating and sustaining superior performance.\textit{The Free Press, N.Y.10020.}
Cooper (1993) noted that most new innovations come with high risks as most of them failed in the marketplace creating the need for marketers to have a clear understanding of success factors in brand adoption\textsuperscript{52}. Theories of adoption have often been used to explain how consumers form preferences for various goods and services (Rogers, 1995; Mason, 1990)\textsuperscript{53&54}.

Generally, these theories emphasize the importance of complexity, compatibility, observability, triability, relative advantage, risk, cost, communicability, divisibility, profitability, social approval, and product characteristics in brand and store preference (Tornasky and Klein, 1982)\textsuperscript{55}. The relative importance of each factor depends on the nature of industry under consideration, location and social characteristics of the consumers of the different brands.

\textsuperscript{52} Cooper RG (1993). Winning at New Products: Accelerating the process from Idea to Launch, MA: Addison-Wesley. p 2.


Consumer choice behaviour has also been studied from the popular classificational categories: they are need–information search–evaluation of alternatives– purchase–post-purchase evaluation, problem solving paradigm or through the progression of consumer choice from a product class to brand choice (Dorsch et al., 2000)\textsuperscript{56}. Li and Houston (1999) employed a sample of 1200 consumers in Taiwan to determine factors underlying choice of market innovations. Price level, product variety and marketing communications factors were identified as promoters of choice\textsuperscript{57}. The promotional (marketing communications) mix has various elements – advertising, sales promotion, direct marketing, exhibitions, sponsorship, personal selling, word of mouth, merchandising, public relations, relationship marketing, corporate image and reputation etc.

Karjaluoto et. al., (2003) investigated the consumer choice in the context of the mobile phone industry in Finland using a sample of 196 respondents. Twenty-four questions were used to assess consumer motivations in mobile phone choice\textsuperscript{58}.


Seven estimated factors influencing mobile phone choice were innovative services, multimedia, design, brand and basic properties, outside influence, price, and reliability explain and these accounted for about 70 percent of the total variance. Some of the important product decisions in any marketing context are product, variety, product performance, product features, product design, product presentation, sizes etc.

The emergence of service quality and its assessment has attracted the attention of numerous researchers in the past two decades or so. In this sense, there were two main lines of thoughts on measuring service quality (Kang and James, 2004): an American and an European perspective\(^5\). Brady and Cronin and Taylor (2001) suggested that the researchers generally adopted one of the two conceptualizations in their work. The focus on functional quality attributes is referred to as the American perspective of service quality while the European perspective emphasize that service quality is to be considered along with two more components\(^6\).


The European perspective takes into account additional aspects other than the process of service delivery. Gronroos (1984), for instance, noted that the quality of a service as perceived by customers consists of three dimensions: functional (the process of service delivery to customers), technical (the outcomes generated by the service to the customers), and image (how the customers view the company) \(^{61}\). Considering those dimensions, the quality of the service was dependent upon two variables: the expected service and the perceived service. More details of the previous argument are provided by Gronroos (1984) \(^{62}\).

Functional quality of a service was often assessed by measures of customers’ attitudes, as in customer satisfaction questionnaires. As described by Hayes (1997), the process of identifying customers’ attitudes began with determining customers’ requirements or quality dimensions \(^{63}\).


\(^{62}\) Ibid.,

Parasuraman *et. al.*, (1985) identified, in a first study, 10 quality dimensions based on a series of focus group sessions. From this study, the authors concluded that customers use the same criteria to assess service quality independently of the type of service\(^{64}\).

For Hayes (1997), however, some quality dimensions were generalized across many services, but some will apply only to specific types of services, and it was necessary to understand quality dimensions to be able to develop measures to assess those\(^ {65}\). The author explained then two ways of identifying important quality dimensions of services: *quality dimension development approach* and *critical incident approach*. The first one used different sources of information, such as opinions of providers and literature. The other one was a process to obtain information from customers.


\(^{65}\) Ibid.,
The 10 determinants of service quality established by Parasuraman et al. (1985) provide a list that can guide investigation on the first approach. The authors subsequently developed SERVQUAL (Parasuraman et al., 1988), a two-part instrument for measuring service quality that was refined later (Parasuraman et al., 1991). Much of the research to date has focused on measuring service quality using this approach and its use has become quite widespread (Brown et al., 1993; Kang and James, 2004).

SERVQUAL instrument consists of a 22-item instrument for assessing service quality based on customer’s perceptions, which was, by his turn, the difference between the customer’s perceived quality and his/her expectation. There were 10 potentially overlapping dimensions: tangibles, reliability, responsiveness, communication, credibility, assurance, competence, courtesy, understanding/knowing the customer, and access.

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66 Ibid.,


68 Ibid.,


70 Ibid.,
Afterwards, these dimensions were reduced to five, namely: tangibles, reliability, responsiveness, assurance, empathy. Using those 10 or 5 dimensions as the evaluation criteria the specification of service quality became the gap between customers’ expectations and their perceptions (Parasuraman et al., 1985).71

However, there has been an extensive debate whether the perception-minus-expectations specification would be appropriate or assessing perception alone would be sufficient. Some concerns about the SERVQUAL instrument were raised by Cronin and Taylor (1994) and Teas (1994).72 &.73

71 Ibid.,


The literature available on Organized Retailing as given above has been done only in the developed nations, particularly United States, Europe and western nations. Their socio-economic classification is different from India. The organized retail is focusing only on higher income, upper middle and to a lesser extent the middle income group in India. In Tamil Nadu also the people in middle and above middle income groups, living in cities are targeted by the retailers. Some studies have been done in select cities of Tamil Nadu separately. The researcher has done the organized retail study for the entire Tamil Nadu, concentrating on top four cities namely Chennai, Coimbatore, Madurai and Trichy. The satisfaction score of the respondents can help the retailers to streamline their retail business by focusing on the customer. The researcher has analyzed the major factors the customers’ consider for selecting a retail store. The different segments of customers in Tamil Nadu have been discussed in the study. This research is a pioneering effort in Tamil Nadu. The research can help the Retailers to plan and strategize their actions to achieve their business goals.