CHAPTER 2
REVIEW OF LITERATURE

2.1 Introduction

This chapter reviews the relevant literature related to the study. "A researcher cannot perform significant research without the first understanding of the literature in the field (Boote and Beile, 2005)". The review of literature is extremely beneficial because it not only helps, but also delimits the research problem and help more clearly to define the research problem, seeks new approaches by reading about what has been done and not done in previous research, gains insights into previous methods, measures, subjects, and approaches, finds recommendations for further research. Hence, the Review of literature, guides a framework used to structure the research and also provide deep understanding into the topics related to aspects of the study (Borg and Gall 1989). It covers the past research related to the topic i.e. impact of modern retailing on traditional retailing, followed by preferential aspects of shopper's towards the modern store retailing. In the light of research objectives, literature was collected and reviewed. Outcome of the literature leads the researcher to get into proper survey method, to set research questions objectives and hypotheses, followed by suitable methods for processing and analysis of collected data. The literature review is presented in this chapter on two counts both theoretical literature review and empirical research reviews each on traditional stores and modern stores.
2.2 Theoretical Aspects of Small scale Traditional Retailing

Academic research into the traditional retailing as well as modern retailing in our country is lacking, due to non recognition of these businesses and there is no any regulatory mechanism available to monitor and look after the business prospects of retailing. And also there was no proper definition of these retailing in universe and other aspects of traditional retailing. Due to the felt need, UK has formed a one member committee headed by Bolton in 1971 to define the characteristics as well as problems significantly surrounded by these retailers. The committee in turn gave three aspects / characteristics for traditional retailing; first, economic aspect (a small firm has a relatively small share of its market), management aspect (a small firm is managed by its owners in a personalized way, not through formalized management structures), and the aspect of independence or free from outside control (A small firm does not form part of a larger enterprise and decision making done by managers or owners).

Although no one definition of the small firm is applicable to all sectors of the economy, small enterprises are identified as a viable form of economic activity, being “both economically and organizationally superior to the larger enterprise (and) performed a ‘seed bed’ function for the economy in the necessary process of economic regeneration which goes on, all the time in a vital economy” (Curran and Stanworth, 1982).

2.3 Definition of Convenience Stores

According to the Institute of Grocery Distribution, Convenience retailing offers local shopping and long hours service (Gordon and Walton 2000), while Morganosky and Cude (2000) argue that retailers offer convenience ‘by enabling the consumer to increase
the number of tasks that can be accomplished during a single visit to the retailer, or reduce the amount of time required to complete the shopping task’. Gordon and Wilson (1999) state the convenience sector is ‘notoriously difficult to pigeonhole’; and further say that the retail store size of less than 3000 square feet, and a location close to customers’ homes, within the case of the non-specialist independents, having a product range that is wide and shallow are the characteristics of retail stores.

The above mentioned aspects of retailing may not be finding suitable for traditional retailing of our country. Hence, the definition given above was not correctly suitable to some extent in Indian context. So it was one of the felt needs of the researcher to define the traditional retailing in Indian context, with special focus on Chennai Metropolitan Area [CMA]. According to the Ministry of Small and Medium Enterprises, it has defined micro enterprises as, ‘An establishment (Service) with a maximum investment ceiling of Ten Lakhs Rupees’. Since the definition did not mention anything about the other aspects of SME’s, it cannot be considered as an apt definition of Traditional retailing or convenience stores retailing.

2.4 Sensitizing Factors Related to the Research

O’Donnell and Cummins (1999) proposed that, for small business research “allow the phenomenon to be examined within its own social context ... examined in totality... allow the researcher to get closer to the participants and become sensitive to the holistic nature of the phenomenon. This leads the researcher to give importance of identifying the sensitizing factors related to traditional retailing. The factors consists of, migration of the retailer from their home town, investment they made for their business, distance from the
modern retail outlet, how long they are into this business, types of assortment they sell, their socio economic profile, education level, and at last, what they will do, if they go out of business. Hence these factors seem to be very important to find out the impact of modern retailing on traditional retailing.

2.5 Social Aspects of Traditional Retailing

Retailers have become necessary and valued members of the society. And that too, Small scale retailing is a part and parcel of the society, hence the role of these institutions towards the progress of the society cannot be ignored. So they are deeply rooted in to the society and also doing a great role for the community development. Shoppers particularly who shop locally see local shops performing social and community functions (Smith and Sparks 1997). Being small scale in nature, these traditional retailing is a family owned business in which, the entire family and their livelihood depends upon these business. Lauder, Boocock and Presley (1994) quoted that, family businesses “provide a critical infrastructure for economic activity and wealth creation” (Poutziouris, Steier and Smyrnios, 2004). The family needs of owners makes those businesses as “the oxygen that feeds the fire of entrepreneurship” required to run the traditional shops (Rogoff and Heck, 2003: 559 in Kirkwood, 2007). Food purchase patterns in developing economies like India are characterized by daily or frequent purchasing from nearby marketplaces called “mom and pop stores” (Veeck and Veeck, 2000).

Broadbridge and Calderwood, (2002) explained that traditional retailers should focus on local residents to beat modern retailers. In opinion of Hermann Kent, this endured in the 1930s, these shopkeepers are true individuals and community assets. They
have ‘live stakes’ in the places where they carry on business. What money they make, they largely spend where they make it. They render municipal and social welfare services. Hence it is inevitable on the part of the research to concentrate on social role played by these small traditional retailers. Rather than just performing a utilitarian function, therefore, small local stores meet a variety of social, sustainability and ethical needs (Megicks 2007). The role of shopping facilities serve to underline the inherently social nature of the shopping process and the critical role that small stores play in this regard as a fundamental ‘building block’ of customers’ retail activities (Holbrook and Jackson 1996), and also developing familiarity and building relationships (Pioch and Byrom 2004) with local customers that allows them to offer residents benefits (Byrom, Medway, and Warnaby 2003) and creating ‘emotional connections’ in a friendly environment (Baron et al., 2001). Their ability to meet the needs of a diverse range of customers (Kirby 1987) stems from the variety of ways in which small stores perform a social function: for some, they are the only store available; for others, they are a source of emergency supply and for most, they are a focal point and source of specialist supplies (Smith and Sparks 2000). Kaufman and Hernandez (1991) commented that, smaller stores do considerably better at establishing or maintaining community and cultural relations than do larger retailers. The other main characteristics include, covering local area, proximity to consumers, fixed class customers, identifying the individual and family needs, home delivery, extended credit facility, opening long hours and over the counter services. Hence the social role played by these traditional retailing seems to be very important aspect.
2.6 Economic Aspects of Traditional Retailing

The independent small shop has been the numerically dominant retail form in many countries for a very long time. Small scale retailing is a normal phenomenon for any country which is contributing towards the business development and economy. And country like India, this small scale retailing plays a vital role towards the development and is consistent with growth of economy. The external factors of any business cannot be predicted and small scale retailings are no exception to that. The Political, Economical, Social and Technological (PEST) factors are playing a predominant role and these factors make the small scale retailing to have a tough game in the business environment. Lauder, Boocock and Presley (1994) quoted that, market demands are perceived as an important means of job creation, with the implicit assumption that they therefore vital for the health of the economy. Traditional retail businesses promote entrepreneurial (Smith et al. 1997) and risk taking activity, which has a positive consequence in terms of local employment and income generation (Basu 1998; O’Dwyer and Ryan 2002). Since by nature of small scale, these retailers have no bargaining power like corporate backed modern retailing, they are always at the receiving end in the case of supply chain with the manufacturer. As a result, it has been argued that supermarket operators benefit from such vertical supply linkages and their buying power can lead to exploitation of the consumer in terms of price (Delgado and Waterson 2003),

2.7 Operational Aspects of Traditional Retailing

The changes in the business environment have placed increasing pressure on traditional retailing businesses, with smaller firms experiencing difficulties during the
first three years of existence following start-up (O’Dwyer and Ryan, 2000). Goetsch (1993) has said that, ‘owners of small businesses often tell that, they do not have time to prepare a marketing plan. So the target audience for these traditional retailers is all about the nearby catchment area population. Broadbridge and Calderwood, (2002) explained that traditional retailers should focus on local residents to beat modern retailers. These traditional retailers play a major role in fill in grocery purchase, rather than stock in grocery purchase, since they sell the products either above than MRP or at MRP, in which most of the consumers prefer to buy the food and grocery in modern store retailing. Store choice is dependent on the timing of shopping trips, as consumers may go to a smaller local store for short ‘fill-in’ trips and go to a larger store for regular shopping trips (Kahn and Schmittlein, 1989). This traditional format is generally used by consumers for fill-in trips and snack trips (Kahn and McAlister 1997) and adds value to access convenience, due to its convenient locations in comparison to supermarkets. Grocer in his studies (2004) quoted that, majority of shoppers actually use small and large stores flexibly and inter — changeably for both top — up shopping and major one stop shopping needs. Small traditional retailers have their own unique capabilities and distinctive competencies (McGee 2000), and they create value in three main ways: by virtue of certain features generic to smaller outlets; by the development of specialist store formats or by targeting their activities on specific consumer groups. In terms of their generic features, small convenience stores meet the needs of consumers by adapting to the local population (Birtwistle and Tsim 2005), providing a better service and product range tailored to shoppers needs, and offering incremental services that fulfill neighborhood needs better than supermarkets. Finally the preference for the small store
ends up by fill in grocery needs. Small retailers are in a position to develop knowledge of particular groups, some of which have a stronger affinity with them than other shoppers (Child, Heywood, and Kliger 2002) by specializing and developing a congruence between the image of the store and the customers they are appealing to (O'Cass and Grace 2008). and also providing and developing home delivery (Meneely, Burns, and Strugnell 2008); stocking products that are perceived as more ‘authentic’ fresh foods (e.g., vegetables) and spending more time with the customer (Groves 2001) and advising them on the quality and meaning of the product (Hilton 1998). In the current climate, the independent retailer’s ability to provide positive, interpersonal components of the retail experience could be viewed as a real strength and exploited to the full (Baron et al., 1999). There are so many evidences that smaller retailers are finding success by providing customer service that is unparalleled at the larger retailers utilizing these types of concepts from mom and pop stores (Tosh 1998).

2.8 Challenges for Traditional Retailing

There are good numbers of factors which become handicap for the traditional retailer to flourish in modern time. Lack of management expertise, under-capitalization, disadvantages of lack of economies of scale, lack of resources to gather market intelligence, and inability to adapt new technologies (Lauder, Boocock and Presley 1994) make big barricades for the small store retailer. Other than that, in efficient supply chain, low margins and to a lack of business experience makes the traditional retailer to suffer than their corporate backed modern retailers. Despite the changing nature of the market and changing nature of consumer behaviour and a diversity of external business and economic factors,
there is still a role for small, independent shops and convenience stores at both social and economic levels (Baron, Harris, Leaver and Oldfield, 2001; Fitch, 2004).

2.9 Theoretical Framework for Consumers' Preferences

Consumer preference theory allows us to model how individual consumers make rational choices. Varian (1992) asserts that a utility function $u$ representing consumer preferences exists if and only if the following axioms of preferences are satisfied: completeness, reflexivity, transitivity, continuity, monotonicity, convexity and local nonsatiation.

That is,
\[
u : X \rightarrow R \tag{2.1}\]

Where $X$ is the consumption set of possible consumption bundles and $R$ is the set of real numbers.

Furthermore, Varian (1992) postulates that a rational consumer will choose a unique consumption bundle $x$ from $X$ that maximizes his/her utility. That is,

\[
\text{Max } u(x) \tag{2.2}
\]

Such that $px \leq m$ and $x$ is in $X$

Where $p$ is vector of prices of goods, and $m$ is the total available income.

Therefore, we can see that $x^*$ that solves (2.2) depends on $p$ and $m$. Therefore, $x^*(p, m)$ is known as the consumer's demand function (Varian, 1992). Hence, by
knowing consumer preferences for consumption bundles of goods, consumer demands for these goods can be determined.

Following Varian (1992), a modern retail store can be considered as the consumption set \( S \) consisting of all possible consumption bundles of services. That is,

\[
S = \{s, t, v\} \quad (2.3)
\]

Where \( s, t, \) and \( v \) are consumption bundles of services offered by the modern retail stores, having different proportions of the following: produce characteristics, store ambience for attraction, sales promotion offers to consumers for buying more assortments, and offering other value added customer services.

Assuming a consumer \( i \) prefers consumption bundle \( s \) over the other bundles, then \( s \) can be expressed as a vector of \( j \) services chosen by the consumer. That is,

\[
s = (s_{i1}, s_{i2}, \ldots, s_{ij}) \quad (2.4)
\]

And, given that each of these market services is a function of market attributes \( (a_{i1}, a_{i2}, \ldots, a_{ik}) \), then (2.4) can be written as,

\[
s = (s_{i1}(a_{i1}, a_{i2}, \ldots, a_{ik}), s_{i2}(a_{i1}, a_{i2}, \ldots, a_{ik}), \ldots, s_{ij}(a_{i1}, a_{i2}, \ldots, a_{ik})) \quad (2.5)
\]

Since it is known from the above theory that a rational consumer \( i \) will choose a bundle of market services that maximizes his/her utility, then consumer \( i \)'s optimization problem is stated as thus,

\[
\text{Max } u_i(s_{i1}, s_{i2}, \ldots, s_{ij})
\]

such that \( p_{i1} s_{i1} + p_{i2} s_{i2} + \ldots + p_{ij} s_{ij} \leq m_i \) for all \( i, j \) \quad (2.6)
By substituting (2.5) into (2.6), we get

Max $u_i[s_i(a_{i1}, a_{i2}, ..., a_{ik}), s_{i2}(a_{i1}, a_{i2}, ..., a_{ik}), ..., s_{ij}(a_{i1}, a_{i2}, ..., a_{ik})]

s.t. $p_{i1} s_i(a_{i1}, a_{i2}, ..., a_{ik}) + p_{i2} s_{i2}(a_{i1}, a_{i2}, ..., a_{ik}) + ...$

$......+ p_{ij} s_{ij}(a_{i1}, a_{i2}, ..., a_{ik}) \leq m_i$ for all $i, j, k$ \hspace{1cm} (2.7)

By setting up the lagrangian for we get

$L = u_i[s_i(a_{i1}, a_{i2}, ..., a_{ik}), s_{i2}(a_{i1}, a_{i2}, ..., a_{ik}), ..., s_{ij}(a_{i1}, a_{i2}, ..., a_{ik})]

- \lambda_i [m_i - p_{i1} s_i(a_{i1}, a_{i2}, ..., a_{ik}) + p_{i2} s_{i2}(a_{i1}, a_{i2}, ..., a_{ik}) + ...$

$+ p_{ij} s_{ij}(a_{i1}, a_{i2}, ..., a_{ik})]$ \hspace{1cm} (2.8)

By assuming equality in the budget constraint (i.e. by assuming local nonsatiation), the first order conditions for (2.8) are

$\sum_i [\partial u_i(s_{ij})/ \partial a_{i1}] - \lambda_i \sum_j [p_{ij} \partial s_{ij} / \partial a_{i1}] = 0$

$\sum_i [\partial u_i(s_{ij})/ \partial a_{i2}] - \lambda_i \sum_j [p_{ij} \partial s_{ij} / \partial a_{i2}] = 0$ \hspace{1cm} (2.9)

$\sum_i [\partial u_i(s_{ij})/ \partial a_{ik}] - \lambda_i \sum_j [p_{ij} \partial s_{ij} / \partial a_{ik}] = 0$

$m_i - \sum_j [p_{ij} s_{ij}(a_{i1}, a_{i2}, ..., a_{ik})] = 0$

On solving (2.9), the optimal solution for consumer $i$ becomes

$a_{i1}^*(p_{ij}, m_i)$

$a_{i2}^*(p_{ij}, m_i)$ \hspace{1cm} (2.10)

$a_{ik}^*(p_{ij}, m_i)$

$\lambda_i^*(p_{ij}, m_i)$
Where:

\[ a_{i1^k}(p_i, m_i), a_{i2^k}(p_i, m_i), \ldots, a_{ik^k}(p_i, m_i) \]

represent the demand functions for modern store attributes for consumer \( i \), which depend on the price of associated market services, and the consumer's income.

\[ \lambda_i(p_i, m_i) \]

is the shadow price and represents the rate at which the utility obtained by consumer \( i \) from patronizing a modern retail store changes when income changes by one unit.

From (2.10), we can see that each consumer has been treated as a separate segment. And so, each consumer will be better served at the market if his/her individual demands for market attributes are provided. However, identifying individual consumer demands and satisfying them seems impractical and uneconomic for modern retailers. So, instead of treating consumers individually, they should be divided into groups which are homogenous with respect to their demand functions.

2.10 Empirical Research Review on Consumer's Preferences for Modern Store Retailing

Modern retail quickly becoming an important driver of changes in food markets in developing countries. However, the impact of these market changes on the welfare of consumers is still not well understood (World Bank 2008; Swinnen 2007; Minot and Roy 2007). There are lot of reasons causing the migration of shoppers from traditional retailing to modern store retailing. So this switching over and preferences for modern
store retailing is a vital part of this research. Kotler and Armstrong (2008) state that consumer purchases are strongly influenced by cultural, social, personal, and psychological characteristics which marketers must take into account. Sinha and Banerjee, (2004) report that it is necessary for retailers to be aware of shoppers' motivations and to understand ways of attracting the consumers. A consumer's choice of a retail outlet depends on a combination of functional and psychological attributes (Devlin et al., 2003; Zhuang et al., 2003). Empirical researches on retail food market attributes both in developed and developing countries show that consumers now prefer one stop shops for all their household requirements so as to save their time and energy (Burt and Gabbott, 1995; Goldman et al., 2002).

The academic research with specific reference to modern store retailing is very limited, in Indian context, hence the study necessitated to find out the shoppers preference for shopping and it is said to be one of the gap which is relevant to the present research. This study would focus on consumer's preferences towards modern day retailing (Food and Grocery) thereby enabling to find out what factors make them to switch over from traditional retailing to modern store retailing. So what makes the shopper to migrate from traditional retailing to modern retailing assumes significance in the present study. It becomes the bounded duty of the modern store retailers to encode the preferences of shopper's (consumers) taste and preferences. Many consumers are bored with shopping or do not have much time for it (Berman and Evans 2007). So it is the retailer's bounded duty to pull the consumers into the retail market (modern store) and indulge consumers to spend more time in the retail outlet. Higher the time spent in
retail outlet higher will be the basket fill up and adding purchase value. So it will be a win – win situation for both retailer as well as consumer (Manoj and Sankaranarayanan 2010).

Retailer who focuses on understanding a well defined customer niche and serving them in a pleasant manner with a differentiated offer will be higher performer than their competitors. A retail value chain for shopper's point of view is very vital to know the preferences of shoppers'. A value chain may consists of total bundle of benefits offered to shopper's in the way of, store location and parking, retailer ambience, level of customer service, the products/brands carried, product quality, prices and the retailer's image. Some elements of a retail value chain are visible to shoppers, like display windows, store hours, sales personnel and point of sale equipment (Berman and Evans 2007). Besides the above mentioned elements, loyal customers by way of loyalty programs, increasing customer base, well defined personalized customer service, and reducing the customer defection are said to be other elements of retail value chain. So the retail value chain can also be called as 'Retail mix', since both carries almost same meaning to the shopper.

Above literature review suggests that, problems faced by the traditional retailers due to the emergence of modern store retailing are a worldwide phenomenon. Every country having its own rules and regulations to tackle and manage the retail competition. But in the case of India, the situation seems to be incorrect as for as traditional retailers are concern which needs verification by the present research and this is also identified as a research gap.
2.11 Causes for Shopper Migration to Modern Retailing

Shopping behavior of consumers is varying in different countries. The reasons of this varying shopping behavior are the diverse cultures and the changing economies of the various countries (Millan and Howard, 2007). The buying process begins when shoppers recognize an unsatisfied need. Darden and Ashton (1975) classified supermarket grocery shoppers based on supermarket characteristics, consumer lifestyle and shopping habits. In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although store ambience and service are also important in some contexts (Sinha et al., 2002). So modern retailing offers a different shopping experience than their weak traditional counterparts. Shopper’s attitude and preferences for buying a new product or spending more time in the retail outlet depends on the store ‘atmospherics’. Kotler (1973-1974) defined atmospherics as ‘the conscious designing of space to create specific effects in buyers to enhance purchase likelihood’. Important store related atmospheric factors for successful retailers include creating the perfect retail setting for the target customer and effectively presenting their products for the target customer. So the first and foremost important reason which causes the consumer to migrate from traditional retail set up to modern retail consists of environmental aspects of retailing.

According to the Wheel of Retailing Theory (McNair 1958), there are three phases in retail evolution: entry phase, trade-up phase and vulnerable phase. The entry phase is characterized by opening of innovative retail institutions, which initially offer limited products - with low prices and minimum services. The low price, though offering low
profit margin, helps in penetrating the market. The success induces competitors to delve into and as a result of this, at the end of the entry phase, number of same type of retail institutions increase a lot. At the next phase, these institutions become traditional with more services to offer together with better features of the store at a higher price. At the peak of this trade-up phase, retailers achieve increase in sales volume, market share and profitability due to the improvement in their store retail mix. The additional services may include rest rooms, food courts, carts, delivery, provision of credit etc. The last phase is marked by the presence of mature retail institutions, having a strong cash flow and higher profits. As the retailers try to reach higher level of operations, their operational costs increase. This may either lead to increase in price that helps maintaining satisfactory product quality, or may compromise on the quality to survive the price war. In both the cases, the retailer becomes vulnerable to easy replacement by other retailers. To remain successful, a mature retailer has to innovate continuously. Retailers have become interested in increasing retention -- retaining repeat customers. Retailers strive to increase retention by creating customer loyalty programs, rewards, and databases with personal information such as Nordstrom department store’s “Personal Book” system which holds customer purchases, preferences, and personal information such as birthdays, etc. (Spector, 1995). The key lies in understanding the consumer needs, attitudes and behaviour.

Previous academic research on shopper's preferences suggest that factors like quality consciousness, brand choices, recreational and hedonistic factors, value for
money, impulsiveness, store and consumer information and brand loyalty were all key factors of consumer decision making (Sproles and Kendall 1986).

Preferences for particular Store choice, seems to be next important catalyst for shoppers to think about modern store retailing. Hence store choice consists of handful of factors that make the preferential decision for the shopper. Malhotra (1983), contend that, variety and selection, personnel and service, price, convenience of location and physical facilities were all important predictors of store choice. Similar elements were identified by Dixon, Bridson, Evans and Morrison (2005) as being important in future store choice. They also explored the concept of store functional loyalty, which includes price, product variety, friendliness of store personnel, convenience, and location.

So preferences for modern retail consist of different set of factors. In order to conceive an idea about shopper’s preferences for modern store retailing, the different set of variables can be grouped into factors thereby it is easy to picture the shoppers preferences for modern store retailing. Pan and Zinkhan (2006) found only gender as a key predictor of frequency of store visit-women visit the store more often than men. Other studies also found gender to be a major predictor of shopping behavior, with women playing a more significant role in retail shopping, especially in traditional societies (Girard et. al., 2003). Gender also influenced the meaning and identity associated with shopping (Guiry et. al., 2006).

Retail business is cyclical nature, since it closely related with the economy of the particular country. So if the retailer is not through about the consumer’s preferences for shopping trend, it would be a tough task ahead for the retailer. The winning retailers
emphasize more on keeping optimized assortments, frequently doing value calculation for the assortments and one way or other increasing the store traffic. In a grocery shopping study in Victoria (Texas, US), the most important reasons for choosing a particular store among primary shoppers (purchasing most often from the store), convenient location, variety / assortment, low / good prices, familiarity, and nice store environment emerged as the top five reasons, commanding the preferences for modern store retailing (Seiders and Tigert 2000). Affordable real estate prices and availability of sufficient number of economically well off households in the catchment area are critical requirements that will determine new store viability and thus enhances the possibility of further expansion (Anand and Rajashekhhar, 2001).

Based upon the above discussions, the decoding of shopper’s preferences seems to be very important to know about the shopper’s migration to Modern store retailing. Hence the preference variables can be grouped into following aspects.

- Product characteristics
- Store ambience
- Price
- Sales promotion
- Customer services

2.12 Product Characteristics

The study by Solgaard and Hansen, (2003) reveals that product assortment was found to be the single most important influencer for shopper to come to the store. An assortment is the selection of merchandise a retailer carries. It includes both the breadth
of product categories and the variety within each category (Bermon and Evans 2007). Singh and Powell, (2002) find that Grocery shoppers consider quality to be most important factor, followed by price, locality, range of products and parking, and add that shows the product or assortment related factors seem to be more important for most of the shoppers. Kim and Park, (1997) reported that 70 per cent of shoppers visit grocery stores with random intervals and 30 per cent with relatively fixed intervals. "Routine" shoppers spend more money for a given shopping trip but have difficulty in visiting grocery stores more often and in switching over of stores. Consumers’ perception of store attributes influenced by retail formats, type of products, cultural value, shopping intention and customer base (Paulins and Geistfeld, 2003). Consumer preferences of product attributes vary according to product nature and socioeconomic nature of consumer (Uusitalo, 2001). Product attributes are often continuous in nature (Vishwanathan and Childers, 1999). The attributes model proposed by Gwin and Gwin (2003) posits that consumer choice is based on maximising utility from the product attributes subject to budget constraints. Choice theory suggests that, consumers’ decision making process depends on certain basic product attributes (Vishwanathan and Childers, 1999). The basic product attributes used in previous studies are quality, price, variety, assortment and value of the products (Gwin and Gwin, 2003). Choo, Jung and Pysarchik (2004) note that Indian consumers’ attitude towards new products are changing significantly and this can increase their intention to shop in new retail formats such as supermarkets. Thus, product attributes such as quality, price, and availability of new products are important constructs within the Indian context. Store attributes are evaluative criteria that influences consumers’ attitude towards a store (Jin and Kim, 2003). Pan and Zinkhan (2006) in a
meta-analytic study identify product quality; price, product selection and assortment were most important attributes for selection of retail store. One-stop shopping (Dellaert et al., 1998; Kahn and McAlister 1997; Seiders et al., 2000) is found preferred much by shoppers. Hypermarkets score highly on search and possession convenience by offering the possibility of one-stop shopping, by combining a vast array of goods (food and non-food) and services in one store (Farhangmehr et al., 2000; Peterson and Balasubramanian 2002; Seiders et al., 2000). As a result of the above shifts, socio demographic shifts, shopping patterns of individual consumers will be influenced by a desire for convenience and they will prefer retailers who allow them to save time and effort (Farhangmehr et al., 2000; Seiders et al., 2000). Martineau (1958) categorized store attributes into two main categories: functional and psychological. The functional category includes attributes such as location, assortment of products and store layout. The psychological category represents the feelings generated by the functional elements of the store. The former category has gained more attention in the subsequent research into store choice than the latter. Berry (1969) identified three general factors that predominantly influenced consumer's store choice regardless of store type: namely, quality and variety of merchandise, sales staff and store atmosphere. Doyle and Fenwick (1974) proposed a five-attribute scheme that includes product, price, assortment, styling and location. Consumers have now become more discriminating in their food product choices and have started emphasizing more on convenience, freshness and quality of the products (Quagrainie et al., 1998; Acebron et al., 2000). Literature has indicated that elements of the “product mix” capture the quality and assortment of goods as well as their presentation (Lindquist, 1974). A perception of a great assortment certainly influences
store image and satisfaction with the store (Anselmsson, 2006). Juhl et al., (2002) investigating the degree of consumer satisfaction in five European countries – France, Denmark, Finland, Portugal and Switzerland – found that product quality is the most important attribute of store image. Hansen and Solgaard (2004) (cited in Carpenter and Moore, 2006) identified that product assortment was the single most influential variable affecting the choice of retail format across discount stores, hypermarkets and conventional supermarkets (Carpenter and Moore, 2006). Today’s retailer is selling more than just merchandise and now has sophisticated tools to analyze markets and aim his appeals. Hence retail segmentation is used as a tool for differentiating a product to the extent to which its purchase and ownership becomes proportional to the shoppers self image (Cohan and Jones 1978).

2.13 Store Ambience

Creating an appealing store environment is a really and also a tough challenge on the part of the retailer. So keeping in mind of shopper’s taste and preferences, a retailer should think about clean store, good ambience, new attractive fixtures, color and graphics etc so as to take a lead than their competitors in communicating to the potential shoppers. From the retailer perspective, who ever shopper enters in to the retail store, should feel that how the product is supposed to perform. Shoppers would find it hard to accurately judge value if the physical environment were inconsistent with product of price. The store image should positively influence the shopper’s preferences for modern store retailing. Most shoppers are accustomed for noticing the layout and design of a store, which comprises all elements affecting the human senses of sight, sound, smell, and touch. So it
is the overall perception, the consumer has of the store's environment. Hence retailer must create a store layout, which shows the location of all merchandises departments and the placements of circulation aisles to allow customers to move through the store. The merchandise presentation must be exciting to catch and hold customer's attention, be easy to understand, and encourage shoppers to browse, evaluate and buy (Dunne and Lusch 1999). High performance retailers design their stores to expose shoppers to as much merchandise, that is displayed in a safe and orderly manner and create an uncongested shopping environment. The attractiveness, to a consumer, of a specific outlet is a function of fixed and variable shopping utility (which, in turn, is the difference between shopping benefits and costs). While fixed shopping utility is inherent to the shopping trip (e.g., store location, store loyalty, service quality, and travel costs), variable shopping utility varies with the shopping basket (price of products) (Bell et. al., 1998; Tang et. al., 2001). Previous research has identified store attributes as a multi-dimensional construct including location of store, nature and quality of stocks, in-store promotions, sales personnel, physical attributes, convenience of store, atmospherics and loyalty cards that influences consumer behaviour (Miranda, Konya and Havrila 2005). Lindquist (1974-1975) determined nine key attributes: merchandise, services, clientele, physical facilities, convenience, promotion, store ambience, and institutional factor satisfaction. The store layout should entice the shopper's to move around the store to purchase more merchandise than they may originally planned (Levy and Weitz2005). Research has found that layout and design have a significant impact on customers' shopping behavior. Space design and allocation, placement of merchandise, grouping of placement of equipment are some of the factors that retailers need to
consider carefully. Much can be done to manipulate traffic flow in order to attract consumers to shop through the whole store. This will allow the merchandise to have a higher exposure possibility, which in turn will affect the customers' in-store expenditure (Davies and Rands, 1992). Zeithaml (1988) found that consumers consider both monetary and non-monetary costs - such as time and effort - to evaluate value of shopping at a particular store. Hence anything that can be built to reduce time, effort and search costs can increase perceptions of value. Search costs for a shopper can be reduced by properly laying out and displaying the merchandise. Use of appropriate signage can also reduce search effort. This is where store ambience plays an important role. The shopping experience as created by a clean, hygienic, well lit and neatly laid out store has been found to increase store patronage. This evaluation of the total retailer's offer in the customers mind is defined by Martineau (1958) as "store image". The retail store has a "personality" composed of functional and psychological attributes (Martineau, 1958). The retailer's product proposal has been one of the key researched attributes of retail store image. Another important attribute of supermarket store image is store atmosphere. This refers to the environment that is created by combining a set of visual elements of the physical store environment (colours, displays, decorative features, ease of movement etc..) and stimulation of senses (smell, condition of the air, music, lighting) enabling an aesthetic consumer response. Stores with a favourable atmosphere are likely to increase the positive buying experience and customer satisfaction (Babin and Darden, 1996) as well as affecting the time, the customer spends in the store and the amount spent (Babin and Darden, 1996; Babin et. al., 2003; Donovan and Rossiter, 1982; Bellizzi et. al., 1983; Eroglu and Machleit, 1990).
Bearden (1977) states that store atmosphere, location, parking facilities, and friendliness of store people are the salient factors that influence consumer store patronage. As a result store attributes such as service offering, activities, facilities and convenience have major influence on customer satisfaction and loyalty (Chang and Tu, 2005).

Hasty and Reardon (1997) classified store attributes into three general categories: accessibility (e.g., location, layout, appearance, and knowledgeable staff), facilitation of sales (e.g., low-priced specials, promotional offers and methods of payments accepted) and auxiliary attributes (e.g., play areas for children and food court).

Moreover, in store convenience represents an important attribute of store environmental stimuli. In store convenience refers to a store layout and design, which helps customers plan their trip in terms of orientation and direction. They also become skilled at understanding the various signs and labels and control their shopping exploration and trip (Bitner, 1990; Spies et. al., 1997). The successful layout of a store depends on whether it has a clear and legible concept; i.e. one can easily find products and find them the first time on different trips. The various labels, information posters and signs can contribute to the concept of the store layout design in creating a favorable and attractive store environment (Spies et. al., 1997). So store image building and sustaining that store image, becomes important tool for every day for a retailer’s business.
2.14 Price

A retail store's pricing policies should reflect the expectations of its target market. Successful retailers carefully position themselves in a market and then direct their specific pricing strategies toward satisfying their target market. Generally, shoppers perceive price as an important attribute to start their shopping activities. Indian consumers were also found to be price sensitive and quality conscious (Tuli and Mookerjee, 2004). Hortman et al. remarked that shoppers appear to be making "lexicographic decisions". For example, price sensitive shoppers consider price as a primary factor in selecting stores to shop but finally make their store choices based on quality of products. Fisk (1961) identified six attributes as the most important: location accessibility, merchandise suitability, value for price, sales efforts and store service. Retail pricing strategies, however, may also affect the way consumers perceive each store's overall price level or store price image (Dhar et al., 2001). Bell and Lattin (1998) determined two types of pricing strategy (everyday low price across a wide assortment of product, and temporary deep discount in certain product categories), which are said to be used by most the supermarket operators.

Price is a very important attribute for consumers, as it is a common and salient product attribute for most of the consumers in any purchase decision (Desai and Talukdar, 2003).

Pricing is found to be one of the most important attributes in grocery-shopping decisions (Hortman et al., 1990). Further, the price level has been found to be an
influential factor in terms of retail format choice and determinant of different customer groups (Carpenter and Moore, 2006; Baltas and Papastathopoulou, 2003). People can be inelastic to price changes for grocery purchases (Fox et. al., 2004). Moreover, Sirohi et. al., (1998) found that price has a great effect on the value of the store. Singh et. al., (2004), found that large basket buyers are more likely to choose the everyday low price strategy.

2.15 Sales Promotion

Sales promotions are recognized as a viable competitive weapon for marketers, with companies investing up to one quarter of the marketing budget towards promotion efforts (Raghubir 2004). Many retailers are focusing more attention on in store marketing and sales promotion activities, which will lead to greater sales and profit increases. The retailers’ unwritten rule is all about, “it is easier to get a shopper who is already in the store to buy more merchandise than planned to get a new shopper to come into the store”. Hence sales promotion tools should be used as catalyst to generate more demands. Retailers have long known that consumers will change their shopping habits and brand preferences to take advantage of sales promotions, especially those that offer something special, different and of exciting. Every shopper very well know that, all shops provide the same assortments, but what makes them to be different to have an exciting offer becomes effective. The answer relies on in store promotion that can generate more excitement. Miranda et al., (2005) identified that Shoppers’ intention to remain loyal to any store is influenced by factors like frequent-buyer reward schemes, travel distance, preference for an in-store delicatessen, size of the average grocery bill, store signage and
the level of sale assistance. Engel et al., (1993) also identify seven store characteristics: location, assortment breadth and depth, services, store personnel, price, advertising and sales promotion, and proximity to work. Thus, large scale retailers in the form of hypermarkets, discount stores and supercentres have been very successful because consumers place importance on the ability to take care of as many shopping needs as possible when visiting the same store (Carpenter, 2008). According to Chevalier (1975), a significant percentage of total sales in a supermarket come from point of purchase displays. The retail firms are spending a lot of their marketing resources to keep existing customers rather than to attract new ones (Rust and Zahorik, 1993). The recreational orientation motive refers to those aspects of shopping that go beyond the mere acquisition of goods that lead to enjoyment and pleasure (Hirschman & Holbrook 1982; Babin, Arnold and Reynolds 2003). These include the emotional and social need for an interesting, enjoyable shopping experience, as well as social interaction with other customers, friends, acquaintances and sales staff (Jones 1999; Bellenger & Koargonkar 1980).

2.16 Customer Services

Good service keeps customers returning to a retailer and generates positive word of mouth communication, which attracts new customers (Zeithaml et al., 1996). When customers evaluate retail service, they compare their perceptions of the service they receive with their expectations. Hence customer services are the activities performed by the retailer that influence the ease with which a potential customer can shop or learn about the store's offering, the ease with which a transaction can be completed once the
customer attempts to make a purchase and the customer's satisfaction attained with the purchase (Dunne and Lusch 1999).

Sinha and Banerjee's (2004) study in India indicate that store convenience and customer services positively influence consumers' store choices, whilst, entertainment, parking and ambience facilities had a negative influence on consumer choice. The shopping centers survey of 1997, reveals that, pleasant interior i.e., bright, sweet smelling, relaxing, modern, clean, broad variety of merchandise, polite and helpful sales associates, competitive prices, good parking, entertainment etc seems to be more favourable factors for shoppers. On the other hand, crowding, high prices than the expected, poor interior layout, lack of help are said to be negative factors which shoppers generally complaint.

Brennan and Lundsten, 2000; Broadbridge and Calderwood, 2002; Burt and Carralero-Ganesh et al., 2007; Zinkhan et al., 1999), highlighted that dimensions that determine retail store selection-support for local environment, customer service, familiarity and comfort with shop owners and people working at the store, role enactment, and affiliation. Malhotra (1983) contends that variety and selection, personnel and service, price, convenience of location, and physical facilities were all important predictors of store choice. On the other hand, Koo (2003) proposes seven components: store atmosphere, location, convenience facilities, value, employee services, after sales service, and merchandising are important for the formation of store image. Turley and Milliman (2000) and Backstrom and Johansson (2006) point out that the human variables of a retail store can be divided into two sub categories. First, is
the influence the store personnel have, on the customers’ in-store experience, and the second category is the influence other customers, have on others.

The handling of “merchandise returns” is an important aspect of customer service and thus it is important that the store’s return policy be consistent with the store’s image. Few services build customer goodwill as quickly as possible when store has a fair return policy. However, the return policy is not to be abused by the shoppers to some extent which shoppers usually do.

Customers influence on other customers is often apparent in crowding situations and their behaviour in the store (Turley and Milliman, 2000). Small things like smiling, greeting and establishing eye contact may also give the customers a positive feeling about the store (Winsted, 1997). Besides the store personnel's service, Lindquist (1974-1975) has also identified return or exchange policy, delivery service and credit policies as the attributes of service. Many studies have concluded that the customer will choose the same store for all his future purchases, if he is highly satisfied with the services (Amirani and Gates, 1993). Although a supermarket context is a self-service one, it is certain that the service provision to the customer; fresh product area, bakery, cashiers etc. are also important attributes. The service provision includes “moments of truth” with personnel: information enquires, guidance to the location of goods, cashiers, etc. so, that the relationship between consumer and retailer is enhanced by the service provision which increases the customers’ positive buying experience, and further affects future behaviour in terms of repeat visits (Reynolds and Beatty, 1999). So in most situations,
employees have a great effect on the process of providing services and, thus, on the customer’s eventual satisfaction with the services.

2.17 Demographic Aspects of Customers

Consumer preferences of product attributes vary according to product nature and socio economic nature of consumer (Uusitalo 2001).

Pan and Zinkhan 2006, suggest that, consumer demographic variables may be associated with retail patronage, however little consensus exists about the exact nature of the relationship. In their study, they identified that, gender as a key predictor of frequency of store visit — women visit the store more often than men. Other studies also found gender to be a major predictor of shopping behavior, with women playing a more significant role in retail shopping, especially in traditional societies (Girard et. al., 2003; Woodruffe, 1997). Gender also influenced the meaning and identity associated with shopping (Guiry et. al., 2006).

Affordable real estate prices and availability of sufficient number of economically well off households in the catchment area are critical requirements that will determine new store viability and thus the possibility of further expansion (Anand and Rajashekar, 2001).

Dodge and Summer (1969) and Aaker and Jones (1971) found store choice to be dependent on socioeconomic background of consumers, their personality, and past purchase experience.
Empirical evidence argues that socio-demographic factors such as gender, age, educational status and income play an important role in determining the food consumption pattern across the world (Roux et al., 2000; Roslow et al., 2000; Turrell et al., 2002; Choo et al., 2004; Rao et al., 2006; Krystallis and Chryssohoidis, 2005; Batte et al., 2007; Goyal and Singh, 2007; Bukenya and Wright, 2007). The presence of children as a companion for shopping, increases the expenditures and also time spent on shopping (Thomas and Garland 1993).

As a result of the above shifts, socio demographic shifts, shopping patterns of individual consumers will be influenced by a desire for convenience and they will prefer those retailers who allow them to save time and effort (Farhangmehr et al., 2000, Seiders et al., 2000).

These studies suggest that, it is not one or two attribute that makes the shoppers to migrate to modern store retailing. It is always bundled with so many and it keeps varying depending upon the nature and purpose of visit by the shopper and also demographic characteristics seem to play a major part on the migration of shoppers.

2.18 Objectives, Review Questions, Hypotheses Concerning Impact of Modern Retail Stores on Traditional Retail Stores

Based on these literature reviews, a set of research questions, objectives to be achieved and hypothesis to be tested and methods to be adapted for the present research work were framed and vividly presented by the researcher in Chapter 4 – Methodology.