CHAPTER 3
LITERATURE REVIEW

The Indian food and grocery retail sector is in a transformation mode for various reasons like strong macro-economic fundamentals and the changing socio-economic scene. These factors are driving what were once traditional and small scale retail outlets into organized retail formats aimed at catering to the evolving tastes and needs of the discerning consumers. Economic development is frequently characterized by greater use of large, multi-line food retail outlets including supermarkets and hypermarkets (Veeck and Veeck, 2000).

The fast changing trends in food and eating habits of consumers have contributed immensely to the growth of ‘Western’ format typologies such as convenience stores, departmental stores, supermarkets, specialty stores and hypermarkets. This has happened for various conspicuous reasons namely demand and supply, socio-cultural, demographic, psychographic, economic and technology advancements like a large segment of young population, a rapidly expanding middle class, rising income levels, growing literacy, increasing number of working women and nuclear family structures which, in turn, have created an enormous demand for consumer goods and paved way for modern retail formats. Consequently food and grocery retailers today must differentiate themselves by meeting the needs of their retail shoppers better than the competition. There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality. However, little is known about its actual influence and
contribution to the organized retailing in food and grocery sector inferred from an empirical analysis. Thus, understanding the consumer behavior becomes imperative in designing modern food and grocery retail formats based on the purchase patterns. Further it is important for modern formats and traditional formats to know what determines customer satisfaction. The decision to patronize a store usually starts with a set of characteristics or attributes that consumers consider important. Consumers use these attributes to determine which stores can cater to their needs.

Patronage studies in the past have attempted to identify determinants of store choice in relation to attributes such as price, quality, and variety of merchandise, credit availability, return policies and well known brands. Physical facilities or attributes have been included among other attributes in some studies but they have not been fully addressed in these related studies. According to Engel, Blackwell and Miniard (1995) environmental dimensions such as air quality, lighting, layout, carpeting and aisle width and placement are physical store attributes used to project store image and influence store choice. Store retailers must be able to attract customers to shop for food and grocery in their store. As retailers face stiff competition, they must understand the importance of the environment and identify methods to influence store patronage. Today’s retail market is characterized as being more competitive thus; retailers must develop effective strategies to gain a competitive advantage. Therefore, both traditional format retailers and modern format retailers should find ways to attract consumers and increase patronage.
Food dominates the shopping basket in India. Food and grocery is the second largest segment of the retail trade that constitutes 53 percent of the total private consumption expenditure (US$154 billion) and 70 percent of the total retail sales (India Retail Report, 2005).

There is surprisingly little empirical evidence on the effect of the recent spread of modern retail on consumers and as competition for traditional retailers in developing countries.

Five types of analysis were found in the literature. These could be categorized as under:

1. Store Image and Satisfaction in the food and grocery retail environment
2. Nutritional consciousness due to spread of supermarkets
3. Consumer demographics and retail format choice
4. Pricing practices by modern retail
5. Cross shopping and retail format choice

These empirical works are discussed below:

3.1 Store Image and Satisfaction in the food and grocery retail environment

3.1.1 Store Image and various store attributes
The concept of store image, considered as the way consumers see the store in their minds is based on tangible and intangible attributes, deserved a great deal of academic and empirical attention, during the last four decades. The importance of studying the image is based on the assumption that the store possessing the most congruent attributes with the image desired by consumer will have better chance of being selected and patronized
Martineau (1958, Doyle and Fenwick, 1974-1975, Amirani and Gates, 1993). Martineau (1958) was the first researcher to offer the following description of store image: “it is... the way in which the store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes”. The more favorable the image, the more likely it is that consumer would shop and buy at the store. The store image researchers have conceptualized image to include store attributes. Many conceptualizations of store image have been advanced in the past (Doyle and Fenwick, 1974, James et.al,1976; Kunkel and Berry, 1968; Marks, 1976). The dominant attitudinal perspective that is taken in the literature treats store image as the result of a multi-attribute model (Marks, 1976; James et.al., 1976.) According to Bloemer and Ruyter (1998) store image is defined as the complex of a consumer’s perceptions of a store on different (salient) attributes.

Different authors have identified different store attributes as part of the overall image towards the store. Lindquist (1974) combined models from 19 studies and came up with nine different elements: merchandise, service, clientele, physical facilities, comfort, promotion, store atmosphere, institutional and post transaction satisfaction. Doyle and Fenwick (1974) distinguished only five elements: product, price, assortment, styling and location. Bearden (1978) came up with the following characteristics: price, quality of merchandise, assortment, atmosphere, location, parking facilities and friendly personnel. According to Bloemer and Shroeder (2002) store image is the sum of all the store’s attributes, in the way perceived by the consumer, through his or her experience with the store. Burt and Carralero-
Encinas (2000) consider the retail store as the key success factor to a retail company. The major source of competitive advantage for retailers can be found in the value added delivered to customers, through the performance of functions or activities. This value added must be based on consumer needs and values. Thus it is fundamental that managers of modern formats and retailers of traditional formats understand the importance of the store image in their positioning statement. For McGoldrick (1990) accumulated image is also an indicator of the asset value of the “retail brand”, which represents the long-term result of the marketing activities. To understand the image effects can lead to better purchase decisions for consumers and to better strategies for retail stores. As stressed by Osman (1993), customers’ patronage behaviors towards a particular store depend on their image of that particular store. The more favorable the store image, the higher the valence of the store customers. Therefore, the store image can be used as a “marketing tool” (Engel et al., 1995), or as a “competition tool” providing useful indications to managers about the most and the least appellative attributes to consumers, and therefore, the insights for the marketing mix conception.

A study by Seiders and Tigert (2000) compared supercenter shoppers with traditional supermarket shoppers. Supercenter shoppers identified low prices and range of product assortment as the primary reasons for their format choice. In contrast, traditional supermarket shoppers placed more importance on location and product quality. Fox et al. (2004) identified frequency of store promotion efforts and product assortment-related factors to be highly influential on format choice in the grocery sector. Interestingly, price was shown to be less influential. The findings also suggest that households making
frequent purchases from mass merchandisers are also frequent patrons of supermarkets, suggesting that visits to mass merchandisers do not substitute for visits to traditional supermarkets.

Junfei Bai et al, (2008) analyzed Chinese consumer behavior across different retail food store formats and how household demographics affect shopping behavior. The main findings show that hypermarkets may not bring significant competitive pressures on the traditional wet markets or small grocery stores and new convenience stores. The possible reasons were linked to store characteristics such as location and quality control and may also be related to potential substitutability and complementarity among various formats, as well as consumers' demographics and shopping habits. Higher incomes and access to transportation increase the likelihood that a consumer will shop at a hypermarket.

Arnold et.al (1983) reported how, in 14 different retail food store studies, respondents were asked to “please tell me all things considered, the single most important reason you shop at the store where you shop most often”. The important store characteristics were found to be locational convenience, low prices, assortment/variety, courteous helpful staff, high quality merchandise, quality of fresh food, fast checkout/fast service, cleanliness, and shopping environment. Locational convenience and low prices were clearly more important attributes than the other attributes. A study by Gensch and Recker (1979) indicated that “In a wide variety of regression and logit runs the ease of getting to the store was a significant independent variable”.

Kathleen Seiders et.al, (2000) focused on the impact of supercenters on traditional food retailers in four markets, including two small cities (Victoria, Texas; Gainesville, Georgia) and two large cities (Columbus, Ohio; Omaha, Nebraska). The results showed that supercenters can gain from 15 to 20 percent of primary shoppers and an even greater proportion of secondary shoppers.

Furthermore, the supercenter primary shoppers, and especially those of Wal-Mart and Meijer, identified low price and assortment more often as the reason for store choice. In comparison, traditional supermarket primary shoppers were less willing to trade off locational convenience or, in some cases, quality and assortment.

Baltas and Papastathopoulou, (2003) in a study of Greek grocery customers concluded that product quality and product features were considered the most important product choice criteria. Gomez et al. (2004) stated that quality is seen as "a satisfaction-maintaining factor in the supermarket sector" in that improvements in quality have a small positive impact on satisfaction while reductions in quality of the same magnitude have a significantly greater chance of reducing satisfaction.

Patricia Huddleston et al, (2009) compared and contrasted customer perceptions relating to satisfaction with conventional grocery stores as compared to specialty grocery stores. The study examined store attributes of product assortment, price, quality, and service in order to determine which attributes had the greatest impact on store satisfaction for each store format. Perceptions of satisfaction were higher among specialty grocery store customers compared to conventional grocery store customers. The results demonstrated that price, product assortment, quality, and employee service influenced store satisfaction.
regardless of store type (conventional stores or specialty stores). However, the degree of influence of these attributes varied by store type.

An earlier study by Kelly (1967) also examined the role of information in the patronage decision. The manner in which both formal and informal information flows among prospective customer groups was found to have a profound influence on the patronage decision process associated with new retail outlets. This exploratory research suggested that there is a hierarchy of influence in the determination of patronage decision outcomes: in-store experiences was found to be most influential, followed by personal influences, while newspaper advertising had less impact than might have been supposed.

In an earlier study by Solgaard and Hansen (2003), assortment was found to be the single most important driver for the choice between store formats; price level and distance also being important drivers for consumers’ choice between store formats; although quality and service were not found to be differentiator between formats. Again, Singh and Powell (2002) found that grocery shoppers consider quality to be most important, followed by price, locality, range of products and parking. Fox et al. (2004) found that shopping and spending vary much more across than within formats, and expenditures respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident at grocers. While supercenter primary shoppers of food identified low price and assortment more often as the reason for store choice, traditional supermarket primary shoppers were less willing to tradeoff locational convenience or, in some cases, quality and assortment (Seiders et al., 2000). Chinese supermarket shoppers found store location,
price and product variety as the most important store attributes influencing satisfaction (McDonald, 1991). In an investigation of consumer shopping destination choice behavior for convenience goods shopping trips in Taiwan, spatial separation distance best explained respondents’ shopping destination choice behavior, followed by store selection criteria (Yang, 2006). A study in Vietnam on the factors which influence decision-making by consumers when selecting traditional bazaars vs supermarkets revealed that freshness, price and convenience were found to be important in shaping the choice by consumers for traditional outlets for fresh food, while price played a key role in selecting shopping outlets for processed food and drinks and non-food products (Maruyama and Trung, 2007).

Betancourt and Gautchi (1988) suggested that assortment is one of the five distributive services that is bundled with the goods sold. The five functions according to them were ambience, assortment, accessibility, immediacy of delivery, information.

Erica Van Herpen and Pieters (2002) summarized that product variety influences a customer's perception of a store. In turn, Hoch et al., (1999) stated that perceptions concerning product variety influence both satisfaction and store choice. Lumpkin and McConkey (1984) inferred that the availability of a wide variety of products is ranked higher as a store patronage attribute among department and discount store shoppers than specialty store shoppers), indicating expectations surrounding product assortment vary by store type. Paulins and Geistfeld (2003) found that when a store had an appealing merchandise selection, it became a key reason why that store was considered desirable.
Conventional grocery stores tend to be larger than specialty grocery stores and are likely to carry a wider variety of products in its assortment than a specialty store. Arnold et al., (1983) inferred that supermarket shoppers ranked product variety third behind location and price as determinants of store patronage.

Hence, there was difference in the result of the studies of different authors as far as relative importance of attributes were concerned, which might be attributed to either changes in consumers over a period of time or to the place of study as grocery shopping patterns vary with culture (Shanon and Mandhachitara, 2005).

From the above discussion, we may deduce that the dimensions that are relevant for grocery store choice are: price-consciousness, assortment, service of the staff, cleanliness, quality, deals/specials/promotions, ease of shopping, convenient store timings, of shopping, location/distance, home order/delivery, payment/credit facility, in-store specialty, ambience, parking, expenditure/no of times shopping, apathy/stress, refund/exchange.

3.1.2 Consumer Satisfaction

Consumer satisfaction provides the basis for the marketing concept and has been shown to be a good predictor of future purchase behavior. As a reflection of its importance, consumer satisfaction is a popular topic in the marketing literature. Most models of consumer satisfaction—and service quality—maintain that discrepancies between ex ante expectations of a good or service and the product’s ex post performance are the best predictors of the satisfaction or quality perceived by the customer (e.g., Oliver 1977, 1980).
1980; Parasuraman, Zeithaml, and Berry 1985, 1988). However, there are many extensions or alternatives to this approach (e.g., Clemons and Woodruff 1992; Oliver and DeSarbo 1988; Spreng, MacKenzie, and Olshavsky 1996; Westbrook and Reilly 1983), and there is controversy regarding the relationship between consumer satisfaction and service quality.

Despite many attempts to measure and explain consumer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote 2000) or determinants (Spreng, MacKenzie, and Olshavsky 1996). Consumer satisfaction is typically defined as being the result of an evaluative process that contrasts prepurchase expectations with perceptions of performance during and after the consumption experience (e.g., Oliver 1980, 1981; Rust and Oliver 1994). That is also the view taken by the present research, although it is recognized that such a definition may not fully explicate the satisfaction construct (Anderson and Fornell 1994; Giese and Cote 2000).

There is a debate in marketing regarding the differences and similarities between the consumer satisfaction and service quality constructs (e.g., Dabholkar 1993; Parasuraman, Zeithaml, and Berry 1994; Spreng and Singh 1993; Teas 1993, 1994). While there are conceptual differences between the various models, the way they are typically measured is quite comparable. This is because measures of service quality usually represent customer perceptions rather than objective indicators of quality (Zeithaml 1988; Bitner and Hubbert 1994), and service quality and customer satisfaction therefore tend to be highly correlated.
There have been many refinements and extensions to the gaps models, but the essential ingredients have hardly changed. For example, despite the discussion in the marketing literature regarding what forms of expectations are most appropriate for measuring consumer satisfaction and service quality (e.g., Cote, Foxman, and Cutler 1989; Spreng, MacKenzie, and Olshavsky 1996; Teas 1993, 1994; Zeithaml, Berry, and Parasuraman 1993), a comparison between some form of expectations and perceived performance remains the popular standard.

Satisfaction is defined as the consequence of comparing expectations with perceptions of performance (Oliver 1981). In most studies expectations, perceptions of performance, and the difference between the two are typically measured simultaneously (Clow, Kurtz, and Ozment 1998; Clow and Vorhies 1993; Oliver 1977; Patterson, Johnson, and Spreng 1997). Some researchers believe that consumer satisfaction is limited to individual transactions (e.g., Parasuraman, Zeithaml, and Berry 1988) and hence comparison of consumer expectations and satisfaction seems appropriate.

Satisfaction has been linked to firm profitability and repurchase probability (e.g., Anderson, Fornell, and Lehmann 1994; LaBarbera and Mazursky 1983). Demonstrating such a relationship is valuable, for explaining why consumers purchase or repurchase products underlies consumer behavior and consumer psychology. One account is offered by Fornell (1992), which suggests that the probability of repeat purchase is a function of both satisfaction and switching barriers. Search costs, transaction costs, learning costs, habit, emotional cost, cognitive effort, and various forms of risk or uncertainty may all act as barriers to switching from one brand to another (Fornell 1992; Hirschman 1970).
Even when dissatisfaction with the current choice exists—or an alternative appears more attractive—there are many reasons why a consumer might continue to choose their customary brand. Perhaps as a result of deterrents to switching, Fornell (1992) finds that customer satisfaction is lower in industries where repeat purchasers face high switching costs. According to Hoyer and MacInnis (2001), satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. Coldwell (2001): “Growth Strategies International (GSI) performed a statistical analysis of Customer Satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by InfoQuest. The conclusion of the study was:

- A Totally Satisfied Customer contributes 2.6 times as much revenue to a company as a Somewhat Satisfied Customer.
- A Totally Satisfied Customer contributes 17 times as much revenue as a Somewhat Dissatisfied Customer.
- A Totally Dissatisfied Customer decreases revenue at a rate equal to 1.8 times what a Totally Satisfied Customer contributes to a business.”
Zairi (2000): “There are numerous studies that have looked at the impact of customer satisfaction on repeat purchase, loyalty and retention. They all convey a similar message in that:

- Satisfied customers are most likely to share their experiences with other people to the order of perhaps five or six people.
- Equally well, dissatisfied customers are more likely to tell another ten people of their unfortunate experience.
- Furthermore, it is important to realize that many customers will not complain and this will differ from one industry sector to another.
- Lastly, if people believe that dealing with customer satisfaction/complaint is costly, they need to realize that it costs as much as 25 percent more to recruit new customers”.

A customer's satisfaction with his/her shopping experience may be an outcome of the value provided by the shopping experience. Carpenter and Fairhurst (2005) showed that utilitarian shopping benefits and hedonic shopping benefits had a positive impact on satisfaction. Eroglu et al. (2005) looked at the relationship between perceived retail crowding, shopping value and satisfaction and found that perceived retail crowding had a negative effect on shopping value and, in turn, satisfaction. If the shopping experience provides qualities that are valued by the customer, satisfaction with the store is likely to result.

Individual customers have different motivations for shopping. These include diversion from daily routine, learning about new products or trends, or enjoyment of bargaining
Some customers are more task-oriented while others are more activity-oriented (Babin et al., 1994). These differences mean that they will find value in and also gain satisfaction from diverse aspects of the shopping experience. Retailers must understand these differences in order to create store formats and offer-related attributes that meet the needs of their target segment(s). Among apparel retailers, for example, department stores have different target markets, and, thus, different market strategies (product assortment, quality, price and services) than specialty apparel retailers (Ma and Niehm, 2006). As such, customer expectations surrounding the retail experience may vary across retail stores and products which can, in turn, mean that satisfaction will also vary by the type of retailer and/or type of product offered at retail.

Burns & Neisner (2006) also reviewed the retail industry and found that expectations were not only set by marketing campaigns, but by reviews by friends and family and the physical design of the store. Burns & Neisner go further to state that when expectations are not met; consumers feel not only anger with the retailer; but shame with themselves for incorrect assumptions. The experience of the retailer is then linked with negative feelings; to the extent that the consumer may not continue to use that retailer in future.

researchers. Fornell (1992) claims that “… customer satisfaction has a direct impact on
the primary source of future revenue streams for most companies …” (p. 6). Research
results by Bain & Co. suggest that an increase of the customer retention rate of just five
per cent makes profits soar by 25-95% (Customer Interface 2001). However, research
findings by Hellier et al. (2003), and Storbacka et al. (1994) suggest that customer
satisfaction does not influence behavioural intentions directly but rather indirectly
through intervening variables. Hellier et al. (2003), Mittal et al. (1999), Sharma and
Patterson (2000), Srinivasan (1996) and Storbacka et al. (1994) also suggest that while
customer satisfaction is a major factor, there can be other variables which can impact
upon behavioural intentions of consumers, as it was also proposed earlier. Contrary to the
aforementioned findings, Bloemer and de Ruyter (1998), see these intervening variables
only as moderators of the relationship between satisfaction and behavioural intentions.
Dabholkar, Shepherd and Thorpe (2000) support this view by claiming that customer
satisfaction strongly and directly mediates the effect of service quality on behavioural
intentions.

Despite the variety of opinions regarding consequences of customer satisfaction, most of
the authors acknowledge the diverse nature of responses to satisfaction, although
proposing a variety of different terms to describe the response constructs.

As far as grocery store patronage is concerned, though early studies (Enis and Paul, 1970;
Dunn and Wrigley, 1984) found loyalty to be a characteristic of poorer shoppers, a recent
study indicates significantly higher incomes and weekly expenditures of the loyal
shoppers (McGoldrick and Andre, 1997). Knox and Walker (2003) confirmed the existence of a weak but significant relationship between involvement and brand loyalty in grocery markets. Overall satisfaction with a store does not significantly influence customers’ loyalty to that store and shoppers’ intention to remain loyal to their ‘‘primary 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 (Miranda et al., 2005).

However, given that grocery shopping patterns vary with culture, Indian grocery shoppers are required to be investigated separately to determine, which grocery store attributes contribute to store patronage (Shanon and Mandhachitara,2005). Further numerous studies on grocery/food retailers have been conducted Doyle and Fenwick (1974-1975) there is a scarcity of research which draws comparisons between modern stores and conventional stores and food shopping behavior in the Indian context. Additionally, there is a lack of food industry research examining satisfaction and store attributes.

3.2 Nutritional consciousness due to spread of supermarkets

A second strand of literature examines nutritional consciousness due to the spread of supermarkets. (Lau & Lee, 1988) discovered from other developed Asian regions that consumers prefer to shop daily for fresh food at open markets, given the convenient access to modern supermarkets. While there have not yet been survey-based analyses of the direct relation between shopping at supermarkets and nutritional and diet composition effects, there has been some indirect evidence. Asfaw (2007) finds for Guatemala that
consumers that do some of their shopping at supermarkets also tend to consume more processed food (but not necessarily from supermarkets). Neven et al. (2006), in the early-stage modern retail situation of urban Kenya, show that consumers tend mainly to buy processed foods and staples from supermarkets, but mainly depend on traditional retailers for fresh produce. Hawkes (2008) examined recent survey evidence from Tunisia of shopping at supermarkets’ correlation with consumers’ food consumption variety and quantity and finds some correlation. (Xiaoyong Zhang, 2002) examined the dynamics of Chinese consumers consumption, perceptions, and uses with regard to food products and found that as far as market outlets are concerned, the supermarket is the dominant market outlet for dairy products; other products are mainly purchased in open markets.

If supermarkets have to compete with open markets, great effort should be put into improving their fresh-food image which consumer’s value most among product attributes. Veeck and Veeck (2000) observe, "Meats and produce are purchased from supermarkets when time is limited, but making such purchasing at an outdoor or a 'wet' market... remains the ideal". They note that these outlets are perceived as providing fresher products compared with supermarkets by Chinese consumers, and Bean (2006) explains that Chinese consumers are highly sensitive to the freshness of food products.

Brian Halweil (2002) states that the long distance transport of food has become such a defining characteristic of the modern food system that most people accept it as the only way to remain well-fed. For those who can afford it, the wonder of eating exotic produce
grown halfway around the globe is one of the clearest benefits of a long distance food system. However consumers may seek out local food because of the superior taste of products harvested at the peak of ripeness and flavor, and because of the high level of control it gives over the food that they eat. Marijke D’Haese (2005) researched the growing trend of supermarkets in South Africa. The study covered two villages in the Transkei area of South Africa and concluded that in these poor rural communities, the majority of households now buy their main food items from supermarkets rather than from local shops and farmers. The supermarkets provide many food items at lower prices. With an increase in income, the households look for variety and exotism in their food products, and will most likely find this in the supermarkets, rather than the local stores.

3.3 Consumer demographics and retail format choice

A third strand of the literature examines the profile of consumers shopping at traditional formats and modern formats. The ‘classic’ hypothesis on this was in Goldman (1974) which argued that modern retail’s structure would be amenable mainly or only to rich consumers in developing countries who could drive to stores, buy big units, store the products, and afford infrequent large shopping bills. But this early work did not use consumer or retail surveys, just anecdotal evidence. Individual characteristics of consumers influence their consumption behavior.

Specifically, previous research has revealed a connection between demographic characteristics and choice of retail format. Crask and Reynolds (1978) compared the demographic characteristics of frequent and non-frequent patrons of department stores and found that frequent patrons tended to be younger, more educated, and had higher incomes. Sampson and Tigert (1992) found that warehouse club members represent an
upscale market compared to the general population. Findings from the study indicated that warehouse club members were more educated and had higher incomes. Later work by Arnold (1997) found significant differences between the demographic profiles (e.g. age, education, household size) of large-format department store shoppers as compared to non-shoppers.

A few studies have examined the effect of consumer demographics on retail format choice in the grocery context. Zeithaml (1985) conducted a field study to examine the effects of five demographic variables (gender, female working status, age, income, marital status) on supermarket shopping variables (e.g. shopping time, number of supermarkets visited weekly, amount of money spent). The study detected major shifts in demographic characteristics of US grocery consumers and the author predicted that the traditional mass market for grocery products in the US would break into various market fragments as new retail formats emerged. In particular, the study emphasized that changes in the family unit (e.g. increases in the number of working females, male shoppers, and single, divorced, or widowed households) would drive changes in grocery patronage in the USA. Stone (1995) compared the demographic profiles of supermarket shoppers and warehouse club shoppers, finding that warehouse club members were younger, more educated, and had higher incomes. Fox et al. (2004) examined the effect of demographics on format choice across three formats: grocery stores, mass merchandisers, and drug stores. Findings from the study indicated that household size, income, and level of education influence consumers’ format choices.
More recent work (part of a still very small body of studies) has been more survey-based, and has tended to show that in the early stages of supermarket penetration (such as the case in India now), it is mainly upper income and middle class consumers who shop at supermarkets (for Vietnam, see Figuié and Moustier, 2009; for Kenya, Neven et al., 2006; and for southern India, Chengappah, 2007). Carlson, Kinsey and Nadav (2002) use cluster analysis to group consumers based on where they obtained their food and found that half were "Home Cookers'-purchasing 93 percent of their food from grocery stores. Popkowski et al (1997) found 57% of grocery shopping trips are switches and that most households visit more than ten grocery stores over a three-year period. This store switching may be warranted from the consumer’s point of view (Drèze 1999; Fox & Hoch 2005), but poses a real challenge for retailers who, in reaction, make considerable investments in the development and management of promotional actions and loyalty programs. Kahn and Schmittlein (1989; 1992) make an a-priori categorization of households based on whether they mainly make “quick” fill-in trips or larger regular trips. These segments turn out to have different demographic characteristics (the quick segment has, for instance, smaller families, lower incomes, more renters, and more older and retired people). Bell and Lattin (1998) also use shopping basket size to distinguish between small and large basket shoppers. They find that large basket shoppers are attracted to Every Day Low Price (EDLP) stores and small basket shoppers to Hi-Lo stores and that small basket shoppers are older, have smaller incomes and smaller families. Popkowski Leszczyc and Timmermans (1997) zoom in on actual switching behavior (i.e., is a given trip a switch or not?) and find that two-income families, with
better education, more time between shopping trips and more spending per trip are more likely to be loyal. Single-earner households make the most fill-in trips and are the least loyal.

Most people exhibit certain habits when they do their main trip to the supermarket and have a usual day and a usual time of day to shop (East et al., 1994; Singh and Powell, 2002). Seventy percent of shoppers visit grocery stores with random intervals and 30 percent with relatively fixed intervals and “routine” shoppers spend more dollars for a given shopping trip but have difficulty in visiting grocery stores more often and in switching stores. Further Routine shoppers tend to be full-time employed, are more educated and are more likely to have children under six years old. They are considered as having higher opportunity costs and therefore less flexibility for their shopping days. (Kim and Park, 1997). Segmentation based on time orientation and shopping motivation provides a clearer picture of consumer behavior than socio-demographic data or information on shopping attitudes (Chetthamrongchai and Davies, 2000). For some households shopping may have a recreational aspect (Bawa and Ghosh, 1999), whereas for others grocery shopping is stressful (Aylott and Mitchell, 1999). Time attitudes link closely to behavior and time-pressured shoppers value certain specific store attributes (Bergadad, 1990; Berry, 1979; Umesh et al., 1989; Chetthamrongchai and Davies, 2000). Recent work suggests that most time-poor consumers place a premium on saving mental energy and confirmed that consumers could be segmented on time availability (Darian and Cohen, 1995). A person-situation segmentation framework has been proposed which
integrates the demographic variable ‘‘income’’ and the situational variable time pressure’’for grocery retail shopping (Kenhove and Wulf, 2000).

Using dynamic hazard rate modeling, Popkowski Leszczyc, Ashish, and Timmermans (2000) analyze the decisions of when and where to shop. They divide their households into those that make their regular trips to larger stores and fill-in trips to small neighborhood stores in predictable ways and others that choose stores more randomly. The latter segment seems to consist more of single earner families where one of the spouses has more time to go shopping. Galata, Bucklin and Hanssens (1999) use a latent class framework to distinguish between three shopper segments, as a function of their store format choice. A first segment patronizes almost exclusively EDLP stores, a second almost exclusively Hi-Lo stores and a third switches among price formats. Intra-format competition is more common than inter-format competition. Joh, Timmermans, and Popkowsky Leszczyc (2003) introduce sequence alignment methods that analyze complete sequences of purchases to examine consumer differences in the frequency of visits to particular stores and the direction of changes in store visits. Rhee and Bell (2002) examine switches away from the current main store, using a discrete time hazard framework. Temporary price reductions apparently do not cause consumers to change their primary allegiance. These price reductions only induce cherry picking. If consumers change their primary allegiance, they are most likely to switch to a store of the same price format.
The store turnover probability is highest for households having unemployed or retired heads, who subscribe to a newspaper (this highlights the influence of promotions or advertising). Neven et al. (2006) discusses the rise of supermarkets in urban Kenya, spreading well beyond the richer consumers to derive more than a third of their sales and half of their customers from low income and poor consumers. Marijke D’Haese and Van Huylenbroeck (2005) provide a case study of the shifting purchasing patterns of two villages in rural South Africa. The majority of households in their study now buy their main food items from supermarkets rather than from local shops and farmers. They explore the patterns and determinants of purchases of the overall food category versus fresh fruits and vegetables, over Nairobi consumer income strata, for purchases from supermarkets versus traditional retailers.

Veeck and Veeck (2000) uses data from a 1993 survey of 150 household primary shoppers in Nanjing, PRC to analyze food consumption patterns in China. Cluster analysis is used to group the respondents into convenience shoppers, frequent shoppers, and traditional shoppers. Basic demographic and household characteristics, as well as purchase patterns, are examined. Study results show that convenience shoppers are younger single adults, primarily male, still living at home with above-average incomes. These consumers purchase more convenience foods than the other two groups and eat out of the house more often. Frequent shoppers include younger adults, primarily married, who still shop for food often and who eat out and purchase food at grocery stores moderately. Zhang (2002) analyzes Shanghai consumers' consumption habits, market outlet choices and consumption trends. Shopping is not only an economic activity but also psychological and social. According to consumers, shopping orientations are
various; include economic, convenience, experiential, leisure, and self-fulfillment. Stone (1954) classified shoppers into four types: the economic shopper, the personalizing shopper, the ethical shopper and the apathetic shopper. According to Stone, economic shoppers are those who express a sense of responsibility for their household purchasing duties. An economic shopper will shop in stores based on their perception of price where they are likely to shop at stores that are perceived to offer goods at cheaper prices than other stores (Osman, 1996). A shopper who does not like shopping tends to shop in stores that are close to their homes (Stone, 1954). Personalizing shoppers include those who prefer shopping at a store “where they know my name”. Personal attachments formed between them and the store personnel will greatly influence their patronage of a store. Economic factors like price, quality and selection of merchandise are less important.

Ethical shoppers are those who sacrifice lower price or wider selection of merchandise in order to help their small neighbourhood stores to survive against the big shopping mall. Apathetic shoppers do not discriminate between kinds of stores. They consider shopping as a necessity and thus the main criteria used is locational convenience. Numerous other versions of shopper classification have been made (Darden and Reynolds, 1971, Lumpkin, 1985, Suchard and Cooper, 1990). The most distinct typologies that appear consistent across studies are economic, social and apathetic shoppers (Westbrook and Black, 1985). Past studies have found support for the influence of shopper orientation on the perceived image of a store. (Mason, Durand and Taylor 1983, Lumpkin 1985). Whatever the basis of shopper taxonomic approaches adopted, it should be noted that a
shopper tends to shop at the store that meet his/her perceived expectations on certain attributes perceived as important to him or her.

A few studies tried to relate education with loyalty for a store. Enis and Paul (1970) also found education to be inversely related to customer loyalty to grocery stores. Similarly, in a study of female shoppers, Bellenger, et al (1976-1977) found education to be strongly related to the actual store selected to purchase specific categories of merchandise.

3.4 Pricing practices by modern retail
A fourth strand of the literature examines pricing practices by modern retail in developing countries. Grocery industry is strongly driven by price competitiveness (Taylor, 2003). ‘‘Credit’’ is a predictor of grocery shopping expenditures spent out of the community and consumers spending a medium proportion of their grocery expenditures out of a locality had the highest overall shopping expenditures in all categories (Sullivan and Savitt, 1997).

The retail industry uses wide promotion offers to attract more customers such as discount coupons, product display, outstanding signs, discount prices and extra product for free. These are called unilateral promotions and they show the benefits to the consumers. Another kind of promotion is the price promotion strategy (PMG) where the consumer is told that ‘‘If you are offered a lower price for the same item of the same brand, the price will be matched when you pay the cashier’’.

The other promotion strategy, Every-Day-Low-Pricing (EDLP), consist of communicating to the consumers that every time they come to this store, they will find prices at a minimum level. Unlike unilateral promotions, competitive promotions do not
see a direct cut in price, they only promise a matching of the lower price the consumer could find. Many surveys have tried to understand the psychological aspects of prices (Chandrashekaran and Dhruv, 2003). These researches have concluded that there is a complex role of product’s price and that there are many strategies related to prices in order to influence the consumer’s perceptions (Hardesty and Bearden, 2007).

Empirical studies suggest that price, as a determinant of satisfaction, varies by store format. For example, (Cox and Cox, 1990) find that overall price image of a store affects store choice. (Desai and Talukdar, 2003) state that price image has implications for store patronage, and strategic decisions related to selecting a target customer base and creating in-store environments. In an overview of recent evidence, Minten and Reardon (2008) find that; in the early stages of penetration of modern retail in developing countries, prices offered in modern retail are generally equal or higher (compared to traditional retail prices) for processed foods and significantly higher for fresh foods, especially produce; For example, Ho (2006) illustrates this for Hong Kong; that in the intermediate stages, processed food is cheaper in supermarkets but the results for fresh food are mixed (tending toward only a few mass produce items being cheaper but many others being more expensive in modern retail); while in the advanced stage, food prices in modern retail tend to be generally lower (than traditional retail) for almost all types of food products, in particular because procurement systems become more efficient through better supply chain management and in-store and in-distribution-center inventory management and handling. Brands and especially store brands have a great importance in
the formation of store image (Jacoby and Mazurski, 1984) and can help project a lower-price image for retailer (Narasimhan and Wilcox, 1998). Moreover, advertised reference prices can help to create a low overall store price image (Cox and Cox, 1990). A discount retailer can thus credibly signal its low costs for other products by advertising prices of selected items (Simester, 1995). Fox et al. (2004) examined the relationship of price to grocery shopping behavior and found that it was less important in driving consumer spending than promotion and store assortment. But Sieder and Costley (1994) found price to be a major determinant of store choice in the grocery shopping context. They also reported that consumers had accurate perceptions of market pricing related to the store that they considered in their study. According to Yavas (2003), price is an important driver in store choice among a battery of patronage motivations. Studies have also linked the pricing policies of an organization to consumer value perceptions and ultimate shopping intentions. (Biswas et al, 2002).

According to Schiffman and Kanuk (2007), retail store image has images of their own that serves to influence the perceived quality of products that carry and the decision of consumers as to where to shop. These images stem from their design and physical environment, their pricing strategies, and product assortment. As stressed by Alba et al (1994), a study of retail store image based on comparative pricing strategies found that consumers tend to perceive stores that offer a small discount on a large number of items (i.e frequency of price advantage) as having lower prices overall than competing stores that offer larger discounts on a smaller numbers of products (i.e; magnitude of price advantage). Thus, frequent advertising that presents larger numbers’ of price specials
reinforces consumer beliefs about the competitiveness of a store’s prices. In the past, store displays were mainly used for promotional purposes.

3.5 Cross shopping and retail format choice
A fifth strand of the literature examines the cross shopping and retail format choice in retail stores. The importance of examining retail format choice is fueled by the evolution of formats and frequency of cross shopping behaviors among consumers. The cross shopping concept was first discussed in the trade literature in the late 1970s (Cort and Dominguez, 1977). Over the past two decades researchers have altered the formal definition of cross-shopping to represent different retail contexts. Cort and Dominguez (1977, p. 187) originally defined cross shopping as: . . . when a single customer patronizes multiple types of retail outlets which carry the same broad lines of merchandise, are operated by a single firm, and are designed to appeal primarily to different target segments.

Cassill and Williamson (1994, p. 2) augmented the original definition by defining the concept as, “a single customer patronizing multiple types of outlets which carry the same broad merchandise lines” to suit their conception of cross-shopping in apparel retailing. Yet another definition of cross-shopping in the literature includes Schoenbachler and Gordon ’s (2002) interpretation of cross-shopping as situations where consumers purchase goods through multiple channels operated by the same firm (i.e. brick and mortar, internet, catalog). Regardless of context, the phenomenon refers to the incidence of consumers shopping at different types of retailer formats for like products also commonly referred to intra-type competition (i.e. two different retail formats that sell
substitutable products or services). The trade literature reports that cross shopping is widespread in the US grocery market (Morgenson, 1992; Corstjens and Corstjens, 1995). However, empirical work that examines the cross-shopping phenomenon within the grocery context is limited. Fox et al. (2004) found that varying levels of assortment influenced consumer purchases more than assortment or price. The same study found that frequent shoppers of mass merchandisers were also frequent shoppers of other formats (e.g. supermarkets, drug stores), which provides evidence that trips to mass merchandisers are not necessarily replacing trips to the supermarket. Galata et al. (1999) performed a store switching analysis based on a comparison of price formats (every day low pricing versus high-low promotional pricing) which demonstrated low levels of inter-format switching, but a great deal of intra-format switching. Davies (1993) studied patterns in cross-shopping for groceries as a means of supporting the idea of cooperative locations for similar retailers. Bucklin and Lattin (1992) attempted to model product category competition among grocery retailers as a means of understanding the nature of within-category store competition.

Copeland (1923) catalogued all consumer goods as convenience, shopping and speciality goods, depending upon the retail formats where they are retailed. As a corollary, his thesis precluded an overlap between the assortments carried by the different formats. Alderson and Shapiro (1964) study revealed that there is considerable overlap in the assortment carried by different formats. This is all the more true for grocery products. If the same good is carried by two different retail formats (e.g milk, eggs, bread is carried by traditional formats and modern formats), it is interesting to wonder why for a certain
good, some consumers patronize one format over the other. This question has been left unanswered by most of the store choice patronage studies as they limit choice to stores within the same format.

Baumol and Ide (1956) used search costs to show that the stores cannot keep on growing and the search costs, would place an upper limit on the size of the store. The probability of finding the desired good is higher the bigger the store is or greater the assortment size is. They showed that increased variety is a boon to consumers only up to a point because as the size of the assortment increases, a consumer on an average has to travel a larger distance within the store, to reach the product he intends to buy. Bliss (1988), Messinger and Narsimhan (1997), Divakar and Ratchford (1994) have studied the advantage of one-stop shopping. Large stores enable one to buy all the desired goods i.e the market basket at one point. Buying market basket at one point helps to spread the travel costs over a larger number of goods.

Customers can distinguish high-quality stores from low-quality stores, large stores (associated with the great amounts of goods, special offers and a lot of walking and searching) from small stores (associated with personal attention, accessibility, nearness, high prices), hypermarkets from other retail formats, stores where weekend purchases are made vs stores where only specific item/items are bought (Uusitalo, 2001).

In some nations like Germany and UK, there is two-stop grocery shopping (in the sense of frequenting a multiple and a limited line discounter on a regular basis (Schmidt et al., 1994). On the other hand, multi-store shopping (MS) patterns, that is, division of grocery
purchases among supermarkets and other outlets is a distinct aspect of grocery shopping behavior pattern of consumers of developing countries due to dietary habits, preference for fresh food and fondness for cooking (Alawi, 1986; Tuncalp and Yavas, 1990). Packaged goods’ store patronage levels in Urban China for both contemporary and traditional products co-vary with market shares, few consumers are exclusively loyal, and a majority of consumers are divided in their loyalty, and they patronize other store types/chains in line with market shares (Uncles and Kwok, 2008). Experience in China shows that while consumers of developed cities shop weekly, those of less developed ones prefer daily shopping of staples in wet markets (KPMG, 2006). More involved grocery shoppers are more likely to shop at different supermarkets for various categories of grocery items (Smith and Carsky, 1996). Grocery shopping may thus involve ‘‘sharing patronages’’ or ‘‘split buying’’ between multiple stores rather than exclusively buying at one store or ‘‘changing patronages’’ from unorganized grocery stores to stores of the organized sector. Grocery shoppers are said to resort to main shopping trips (monthly/fortnightly shopping contributing to the bulk of purchases) and top-up shopping trips (contributing to the rest of grocery shopping) (Kakkar, 2008). Indian shoppers generally use the modern format for their weekly and monthly shopping needs and use traditional stores for ‘‘top-up’’ shopping (in.nielsen.in, 2008).
3.6 Studies in Indian Context

Not many Indian research works were come across by the researcher with a focus on identifying and analyzing consumer’s buying behavior keeping the objective of contrasting their preferences to buy from traditional versus modern retail formats.

In India, some empirical studies provide important information about consumer behavior and its responses to the development of organized retail. Economical and social changes are major contributors for a growing fragmentation of consumers into multiple segments with different values and buying priorities. Consumers have become more pragmatic, educated and demanding, learning how to manage money and time more efficiently. The focus on low prices was gradually replaced by a value for money perspective. The study developed by ETIG (Economic Times Intelligence Group, 2002) confirms these tendencies. Concerning food, the most important attribute mentioned was quality, followed by price. Indian consumer has different reasons for preferring different store formats, either modern or traditional; Sen (2000) confirms this in the study undertaken in Indian context. He confirms that in the case of hypermarkets, the main motives for preferences, in decreasing order are low prices, the possibility of buying everything in the same place and the general appearance of the store.

Several investigations emphasize the possible coexistence of different store formats (Chandrakekhar, 2001) and others point out the relationship between the type of store and the type of products (Bhatnagar, 2002). These studies show that, while specialized and
traditional stores are preferred for fresh products, hypermarkets are preferred for shopping in general, and also for frozen food, groceries and beverages. The purchase of perishables in hypermarkets is reduced. Bharathi Kamath (2010) concludes from her study that there are six major factors that consumers prefer as far as the retail stores are concerned. These factors include shopping experience and ease, entertainment and gaming facilities, promotion, discounts and low prices, add-on facilities and services, variety of products and other factors for shopping convenience. In an earlier study by Sinha and Banerjee, (2004) the major drivers for choosing a grocery store in India seem to be nearness to place of residence and the comfort level that the respondents has in dealing with the store owner (measured in terms of personal relationship with the shopkeeper). In an age of increasing competition from large-scale organized grocery retailers, local shops need to have the commitment and willingness to cater for the local community for survival, which means focusing attention more closely on local residents’ wants and needs (Broadbridge and Calderwood, 2002). Local shops are seen to provide a vital social and community function, particularly for those undertaking their main shopping locally (Smith and Sparks, 1997).
3.7 Summary of Reviewed Literature

The distinction between conventional and specialty supermarkets can be compared to the distinction historically made in the apparel industry between department stores and specialty apparel retail formats. While various research studies have examined customer preferences and shopping behaviors which compare department stores and specialty apparel formats Lumpkin and McConkey, (1984), King and Ring (1980) corresponding research on food retailing across those two dimensions (conventional versus specialty store formats) has received little attention.

However, research focused on differentiating customer behavior of food retailing formats would be highly beneficial to both academics and practitioner audiences for several reasons. One reason, in particular, is that food retailing presents different challenges to understanding customer behavior because not all customers enjoy grocery shopping. While shopping, in general, is stressful for consumers Fram and Axelrod (1990), Russell Aylott and Mitchell (1998) found that customers associated more stress with grocery shopping than with other forms of shopping. Further, the food industry is changing rapidly as new retail formats develop (e.g. warehouse club stores) and capture market share from traditional formats. Finally, expansion of new product categories (e.g. organic/natural) and development and growth of relatively new food retailing players (e.g. Wal-Mart and Whole Foods Market) have created more customer choices.

Virtually most of the previous literature review on customer satisfaction was concerned with evaluative responses to the usage and consumption of products and services. In contrast, only limited studies have been devoted to satisfaction and dissatisfaction with
other aspects of the marketing system, notably retailing establishments. Despite the growth of new product categories and new industry players, few studies have investigated customer satisfaction within the retail food industry. Yet, satisfaction is increasingly more important given the highly competitive environment in food retailing Carpenter and Moore (2005) acknowledge that the changing competitive landscape within the grocery industry makes it critical for retailers to better understand grocery customers. Retailers require knowledge not only of consumer satisfactions and dissatisfactions with the products their outlets offer, but also with other facets of shopping, buying and interacting with the outlet itself. As Tauber (1972) has suggested, some of the non-product satisfactions offered by retail outlets may be as significant as, product-related satisfactions in determining customer patronage. Research on retail patronage has been difficult to assimilate and thus difficult to translate into meaningful retail strategies and directions for future research. This is partly due to lack of a unifying theory or model that can be used to relate the various aspects of patronage behavior that have been studied.

Currently in India on one hand organized retailers are making a foray into the grocery market at a rapid rate and posing a threat to the livelihood of kirana shopowners; and on the other, there is the highly price-sensitive consumer forcing market players to operate on thin margins. As such, the purpose of this research is to compare and contrast customer perceptions of conventional food stores to modern formats by examining satisfaction levels with each store format, and investigating the relationship between satisfaction and store attributes, such as product assortment, store service, offers and discounts etc.