CHAPTER - 2
LITERATURE REVIEW

2.1 Introduction

The literature surveyed is the mixture of academic literature and survey done by firms and experts. The researcher has referred books, peer reviewed journals and articles for collecting literature information. The bibliography lists the literature that was reviewed for the research. The researcher has collected literature on the various topic related to Indian Retail, consumer Behavior, retail store format choice, grocery retail shopping behavior, shopping value and store patronage.

2.2 Indian Retail

According to Hamil and Priyadharshini (2014), organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

According to Singh, (2014), the size of India's retail industry is expected to more than double to $1.3 trillion by 2020. Further organized retails penetration in India’s total retail is on increase. Recent policy changes and greater external liberalization of retail sector will bring many more foreign retailers to India. It is expected that FDI will accelerate the growth of organized retail. India’s huge population with large proportion of young, increasingly brand and fashion conscious population, high potential growth in consumer expenditure, growing middle class are some of the
factors due to which the macro trends for the sector look favorable. Organized retail whose share in total retail was 8% in 2012 is expected to assume 24% share of total retail market in India in 2020. Among organized retail segments, Mass Grocery and Apparel are segments growing faster than other segments.

Organized retail formats are making inroads in India. Increasing competition and entry of multinational retailers in organized retailing sector brings forth not only new store formats (Maronick and Stiff, 1985) but also raises the question of survival of traditional small retail (kirana) stores (Sengupta, 2008; Goswami and Mishra, 2009; Gopalakrishnan and Sreenivasa, 2009; Ramkrishnan, 2010). These small stores called “kirana” stores comprise of small retail outlets, which constitute a large share of Indian retail market.

In India, unorganized retail includes “kirana stores” and small-sized family-owned stores. The 12 million small local businesses, known as “kirana” stores, are spread across 5,000 towns and 600,000 villages throughout India (Venkatesh, 2008; Halepete et al., 2008). The small stores are better organized than the “kirana stores” and run by family members. These stores use small stalls or rooms for running business. The small retail stores maintain low prices and offer variety of household products at convenient and economical prices to local consumers (Halepete et al., 2008; Srivastava, 2008; Sathish and Raju, 2010; Ramkrishnan, 2010). The organized retailing relates to large-scale corporatized chain stores which use modern management techniques and operate on self-service model (Sengupta, 2008; Ramkrishnan, 2010). Recent liberalization initiatives by Indian government have brought multinational retailers in the country.

The entry of global retailers is likely to have an impact on sales of small retailers who operate on small margins. The consumers’ preference for organized retail can lead
to severe economic problems as kirana/small stores provide employment to large section of the society (Gopalakrishnan and Sreenivasa, 2009).

The small retail stores are located amidst residential areas, stock products having local demand, offer services like credit facilities, home delivery and free-trials of products. The consumers prefer them due to a multitude of factors like locational convenience, credit facilities, easy return and refund facilities, personalized attention, friendly attitude of retailer and sales and service assistance. The small retailers have high flexibility of designing their marketing mix according to local consumer needs (Ramkrishnan, 2010). Kalhan (2007) suggest that India has highest retail density in world with one retail store per hundred people. The small retailers constitute about 95 per cent of retail sales (Goswami and Mishra, 2009) and operate in >500 square feet area (Ramkrishnan, 2010). Reuters (2011) states that Indian retailing has been dominated by family-run tiny shops controlling 90 per cent of market. The small retailer provides all those services to consumers which are not offered by supermarkets.

The organized sector though growing steadily only constitutes of 0.08 of total retail sector in India (Srivastava, 2008; Sengupta, 2008). It is expected that Indian retail industry would be “worth $ 175-200 billion by 2016” (Sathish and Raju, 2010) and cross $635 billion by 2015 (Moriarty et al., 2007). Business Monitor International (2011) states that total retail sales will grow from US$ 422.09 billion in 2011 to US$ 825.46 billion by 2015. There are a number of factors contributing to growth of organized retailing: economic development, increased disposable incomes, large middle-class consumer segment and high disposable incomes of Indian consumers (Srivastava, 2008; Sathish and Raju, 2010). The small retailers account for > 70 per cent of grocery sales (Jones et al., 2005).
McKinsey Report (2008) suggests that organized retailing in India is currently focused in Tier I and II cities. Eight Tier I cities account for 39 per cent of consumers’ buying power and most of economic growth. The unorganized retail formats are more popular in Tier II, III and IV cities. These cities account for about 61 per cent of consumers’ buying power and constitute of 5,127 towns/cities. Thus, small or unorganized retail formats are of strategic importance to companies targeting Indian consumers.

Kirana and organised retail store formats are quite different in terms of location, operation, scale or activity and presence (Sinha and Banerjee, 2004).

2.3 Consumer Behavior

Consumers are final users of finished products; they could be industrial, institutional, government, intermediate or households. Essentially, purchases are made either for immediate consumption or for further production. In the view of Nicosia (1996) a consumer is an individual who purchases, or has the capacity to purchase goods and services offered for sale by marketing institutions in order to satisfy personal or household needs, wants or desires.

Engel et al (1978) opine that consumer behaviour represent those acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts. Schiffman et al (1978) hold the view that consumer behaviour is, the behaviour that consumers display in searching for, purchasing, using and evaluating products, services and ideas which will satisfy their needs. In their view, Loudun et al (1979) introduced consumer behaviour as, the decision process and physical activity individuals engage in when evaluating, acquiring and using economic goods and services. According to McNeal, (1966), consumer behaviour is the process whereby an individual decides where, what,
when, how and from whom to purchase goods and services. Consumer behavior can be defined as the totality of consumers’ decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision making units (Hoyer and MacInnis 2010).

According to William Applebaum (1951), the study of customer behavior in the retail stores deal with identification of customers and customer buying behavior patterns (Applebaum, 1951). The customer buying behavior patterns is grouped in relation to place of purchase, items purchased, time and frequency of purchased, method of purchase and response to sales promotion (Applebaum, 1951).

2.4 Retail store format choice

According to Jayasankara Prasad, & Ramachandra Aryasri, (2011), demographic factors of consumers do influence store format choice behaviour in food and grocery retailing. It is also observed that store format choice is a hierarchical process which depends on demographic attributes and current needs of a consumer. The consumer psychographic dimensions like values, lifestyles and shopping orientations significantly affected store format choice behaviour. The five psychographic segments have exhibited different shopping orientations. Time consciousness and local shopper orientations are the significant predictors for choice of kirana store format. Variety seeking, brand conscious, time conscious, local shopper, and price conscious shopping orientations are significant predictors for supermarket store format choice decisions.

According to Arnold (1997), the pricing, product assortment, and customer services are important factors in determining choice of format in the department store context (Arnold, 1997; Sparks, 1995). According to Taylor (2003), the product assortment, availability, convenience, and pricing is the significant drivers for the format choice (Chain Store Age, 2004; Taylor, 2003). 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. Product assortment was identified as the single most influential variable affecting the choice of retail format across three formats: discount stores, hypermarkets and conventional supermarkets. Price level and location appeared to be influential factors in terms of retail format choice. The study also found that quality and service level did not appear to be influential across the formats. Similar results were produced in a study of the Greek grocery market (Baltas and Papastathopoulou, 2003) where product assortment, quality, store brands and location were key drivers of choice.

According to Carpenter, & Moore (2006), studied the US consumer’s choice of grocery format. Among the store attributes, the cleanliness was the most important attribute regardless of format. The price competitiveness attribute appeared to be most important among shoppers in the traditional supermarket format and the supercenter format. The product selection and courtesy of personnel are also very important in determining format choice.

The most important reasons for choosing a particular store is variety of reasons ranging from convenient location, variety/assortment, low/good prices, familiarity, purchase experience, manufacturer brand image, store image, friendly service, cleanliness, fast service/checkout, to best/good value (Seiders and Tigert, 2000, Aurier and Lanauze, 2011).

A study by Wel et al. (2012) identifying determinants of retail store selection in Malaysia categorizes seven key factors: store personnel and physical characteristics of
the store; advertising by the store; store convenience and merchandise selection; store location; peer influence; product variety and quality; and services offered by store.

Fotheringham (1988), and Meyer and Eagle (1982), suggest that location influences store choice. This was further established by another study carried out in Chinese market itself by Mai and Hui Zhao (2004), that location (Closeness to home) is a major driver for store choice. The role of store atmospherics, ambience and store environment has been studied by Kotler (1973), Baker, Grewal and Levy (1992) and an important relationship is being found with store choice. Retail salespeople often serve as a critical nexus between retailers and their customers. Understanding consumer perceptions is an important precursor to understanding consumer behavior during retail sales encounters (Mallalieu, L., 2006) and this signifies the importance of salesperson. Waiting for service in a retail store is an experience that can lead to consumer dissatisfaction which in turn can result in negative effects on store patronage behavior (Hui, Laurette and Chebat, 1997).

The role of ambience in store choice has also been found significant. Kotler (1973) has proposed atmospherics as an important part of retail marketing strategy. It is also found that the shoppers determine the value of the merchandise based on monetary as well as non-monetary costs (Zeithaml, 1988). It was found that recreation (a non-monetary value) was the major driver for visiting a regional shopping centre (Treblanche, 1999). The shopping experience, as created by the store environment, has been found to play an important role in building store patronage. Along with the merchandise, it triggered affective reaction among shoppers (Baker et al., 1992). It also contributes to creating store patronage intentions (Baker et al., 2002). Store environment and atmosphere are influencers of retail format choice (Baker et al., 1994; Donovan et al., 1994; Turley and Milliman, 2000).
Yavas (2003) listed the of important attributes for shopping malls including quality, price, cleanliness, courtesy, assortment, security, store hours, accessibility, and atmosphere.

Martinuel highlighted the importance of buyers perception of store attributes in store choice behaviour and suggested that both the “Functional attributes” (store location, store layout, price ranges etc.) and “Psychological attributes” (qualities as friendliness of store personnel, sense of belonging, or attractiveness of décor) are strong influence in store choice.

Prasad and Aryasri (2011) suggest that consumer age, gender, occupation, education, household income, family size and distance to store significantly influence the retail format choice decisions. Additionally, psychographic dimensions like values, lifestyle factors and shopping orientations may also exert influence on the store choice decisions.

Lee et al. (2005) examined desired shopping centre attributes among males, reporting that cleanliness, customer service, and product knowledge of salespersons is of great importance to men.

Studies reveal that image and perception have significant impact on store choice behaviour of consumers; and perceptions about stores are driven by store format, distance of store from home, environment of the store (Kaul et al., 2010). Proximity is one of main determinants of store selection (Baltas and Papastathopoulou, 2003; Prasad and Aryasri, 2011) while others are merchandise, ambience and kind of service offer by the store (Jacobs et al., 2010; Sinha and Banerjee, 2004).

2.5 Grocery retail shopping Behavior

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).
An important factor that has an impact on grocery shopping behavior is unplanned buying (Park et al., 1989). Consumers list ~40 per cent of the items purchased, and 80 per cent of the items written on shopping lists were actually purchased (Block and Morwitz, 1999). Written shopping lists significantly reduce average expenditure and the presence of children accompanying the shopper significantly increases expenditure and time spent in store (Thomas and Garland, 1993). 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) (Sinha and Banerjee, 2004).

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 per cent 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 (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-pressed shoppers value certain specific store attributes (Bergadaa, 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).

2.6 Shopping Value

Babin et al. (1994) proposed that consumption activities may produce both hedonic and utilitarian outcomes. They describe utilitarian value (p. 645) as “resulting from some type of conscious pursuit of an intended consequence”; thus, it is task-oriented and rational, and may be thought of as work. Utilitarian evaluation is traditionally functional, instrumental and cognitive in nature. It primarily involves the fulfillment of instrumental expectations consumers may have for the product or service and are a means to an end often equated with rational motives of time, place and possession needs. In the utilitarian view, consumers are concerned with purchasing products in an efficient and timely manner to achieve their goals with a minimum of irritation.

Hirschman and Holbrook’ (1982) assertions, hedonic value can be defined as being “more subjective and personal than its utilitarian counterpart and resulting more from fun and playfulness than from task completion” (Babin et al., 1994, p. 646). Hedonic evaluation is more affective than cognitive in nature. Hedonic values are non-instrumental, experiential, and affective and often related to non-tangible retailer/product attributes. The adventurous nature of hedonic value reflects shopping’s entertainment and emotional potential resulting from the fun and play of the experience versus the achievement of any pre-specified goal (Hirschman and Holbrook, 1982; Babin et al., 1994).

Clearly, utilitarian and hedonic values are considered fundamental to understanding consumers’ evaluations of the consumption experience because they maintain a basic underlying presence across consumption phenomena (Babin et al.,
1994; Bridges and Florsheim, 2008; Chandon et al., 2000). Taken together, these two dimensions indicate an assessment of the overall worth of consumption activity, representing a more comprehensive picture of the value.

Many researchers agree that value has a significant influence on customer satisfaction and behavioral intentions (Andreassen and Lindestad, 1998; Chen and Tsai, 2007; Lee et al., 2007; McDougall and Levesque, 2000; Patterson and Spreng, 1997; Pura, 2005).

Patterson and Spreng (1997) found that customer’s perceptions of value are a positive and direct antecedent of customer satisfaction in a service context. Andreassen and Lindestad (1998) found that value has a positive impact on customer satisfaction in developing a customer loyalty model in complex service contexts. Additionally, in investigating the relationships among service quality, perceived value, satisfaction, and behavioral intentions, McDougall and Levesque (2000) found that perceived service quality and value were the most significant drivers of customer satisfaction across four service sectors, such as restaurants, auto service, hairstylists, and dental services. Pura (2005) analyzed the direct effect of customer perceptions of value on attitudinal and behavioral components of loyalty, such as commitment and behavioral intentions in a service context. His findings suggested that customer-perceived value significantly influences behavioral intentions and commitment.

The researcher suggests that the shopping experience provides consumers with a combination of utilitarian and hedonic shopping value (e.g., Babin et al., 1994; Babin and Darden, 1995). Babin et al. (1994) introduced two types of shopping values by developing a scale measuring both hedonic and utilitarian values obtained from the pervasive consumption experience of shopping. Utilitarian value is task-oriented and cognitive in nature, whereas hedonic value is tied to the emotional aspects of the
shopping experience (Holbrook and Hirschman, 1982; Babin et al., 1994). Hence, consumers perceive utilitarian value by acquiring the product that necessitated the shopping trip while simultaneously perceiving hedonic value associated with the enjoyment of the shopping experience itself. The researchers have focused on linking utilitarian and hedonic shopping value to a comprehensive group of important retail outcomes such as satisfaction, loyalty, word of mouth and share of purchases. Reynolds and Beatty (1999) focus on the effects of functional and social value on satisfaction and loyalty in upscale retail settings where long-term relationships exist between customers, salespersons and retail companies.

Many researchers have provided empirical evidence for a positive relationship between customer satisfaction and behavioral intentions, such as repurchase and word-of-mouth intentions. The obvious reason to satisfy customers is to acquire repeat business and positive word of mouth, thereby improving a chance of firm profitability (Barsky, 1992). Anderson and Sullivan (1993) found that a high level of customer satisfaction decreases the perceived benefits of switching service providers, thereby increasing customer repurchase intentions. Getty and Thompson (1994) examined the role of satisfaction in explaining behavioral intention. Their findings indicated that high levels of satisfaction increase customers’ intentions to repurchase and recommend the product. In contrast, dissatisfied customers are more likely to switch, complain, or spread negative word-of-mouth (Oliver, 1996).

Hirschman (1984) asserted that all shopping experiences involve the stimulation of thoughts and/or senses and that they accordingly may be viewed as a process that provides the individual with cognitive (utilitarian) and affective (hedonic) benefits. The consumer receives utilitarian shopping value when he or she obtains the needed product, and this value increases as the consumer obtains the product more effortlessly (Babin et
al., 1994). Perceived utilitarian shopping value is determined by how much of the consumption need that prompts the shopping experience, is met (Seo and Lee, 2008). This means that the consumer purchases goods in a deliberant and efficient manner (Hirschman and Holbrook, 1982). Therefore, utilitarian purchasing behavior is more logical, rational, related to transactions (Sherry, 1990), and associated with more information gathering compared to hedonic purchasing behavior (Bloch and Richins, 1983). The utilitarian approach to consumer shopping values is helpful for analyzing consumer purchases, it offers no framework for measuring product selection and analyzing consumption behavior based on emotional needs (Hirschman and Holbrook, 1982).

Compared to utilitarian value, hedonic shopping value is more subjective and individualistic. Its value is perceived through fun and pleasure as opposed to goal achievement (Hirschman and Holbrook, 1982). Also, hedonic shopping value reflects the pleasure and emotional worth of shopping (Bellenger et al., 1976). Recently, as the needs of consumers have become more diverse, many studies have begun to focus on hedonic shopping value. Hedonic shopping value refers to the level of perception where shopping is considered emotionally useful through various positive feelings and worthwhile. Thus, hedonic shopping value can be understood as the emotional benefits the consumer perceives through the shopping experience other than the achievement of the original purchase intent (MacInnis and Price, 1987). Babin et al. (1994) defined hedonic shopping value as perceived entertainment and emotional worth provided through shopping activities.

Modern researches emphasize the two types of values – the utilitarian value (the objective/rational aspect for purchase motives) and the hedonic value (the subjective/emotional, recreational and more unobservable parts of outlet patronage), as
they influence satisfaction and patronage (Cottet et al., 2006; Christoph et al., 2008; Chang and Fang, 2012). Retail formats influence utilitarian value by ensuring product availability and the hedonic value by elements such as in-house atmosphere, customer relations, peripheral services, and crowding. Therefore, knowledge of these values is important for marketers to understand consumer behaviour, particularly the shopping preferences (Belwal, & Belwal, 2014).

The consumer’s satisfaction with a store can be defined as “a post-experience, subjective evaluation of the extent to which the store answers or even exceeds the customer’s expectation” (Demoulin and Zidda, 2008, p. 387). Thus store satisfaction is an attitude that relies on consumers’ comparisons between the perceived and expected performance of the store. Consumers who have positive experiences at a store keep visiting it. Store satisfaction is usually perceived as being the main driver of repurchase intention and store loyalty (Bloemer and de Ruyter, 1998).

According to Kesari, & Atulkar (2016), the relationship between shopping values and customer satisfaction, where both the shopping values (utilitarian value and hedonic value) show positive significant influences on customer satisfaction (Kesari, & Atulkar, 2016).

Malls enhance hedonic shopping by making shopping a relaxing, self-gratifying, entertaining and an emotional activity (Babinetal.,1994). Design, personal space, décor, lighting, ambient music, and scents generate emotional responses and positively influence shoppers' desire to stay in the mall (Donovan and Rossiter, 1982; Wakefield and Baker, 1998).

2.7 Store Patronage

The degree to which a consumer shops at a particular store is relative to competitive outlets. The store patronage involves the consumer’s choice for a particular
retail store. Store patronage is identified in Bitner’s (1992) model as approach-avoidance behaviour. She proposes that perceptions of the environment or environmental dimensions lead to certain beliefs or emotions about the environment, which then determine whether a consumer will approach (i.e. patronize) or avoid a particular setting. Thus, Patronage of a store is derived out of both i.e.; attributes of the store and buying intentions.

Store patronage involves several interdependent decisions, including which and how many stores to use. While perfect loyal consumers shop exclusively at their favorite store, many consumers patronize a set of competing stores. Cross-shopping behavior is becoming increasingly common due to the growing heterogeneity of demand and proliferation of retail formats (Kau and Ehrenberg, 1984).

The study of patronage behavior and discovered that a number of motives ranging from economic considerations to recreational ones are at the root of consumers’ patronage decisions (Bell et al., 1998; Bellenger et al., 1977; Moore and Carpenter, 2006).

According to Yavas, & Babakus, (2009), the patronage motives can be decomposed into utilitarian and hedonic motives. Utilitarian motives reflect the acquisition of products and/or information in an efficient manner. They are more task-oriented, cognitive, and non-emotional in nature (Babin et al., 1994; Michon and Chebat, 2004; Holbrook and Hirschman, 1982). Consumers high on utilitarian motives, for instance, seek convenience, good prices, and are predominantly interested in goal-oriented activities such as purchasing products or gaining product knowledge, market information, or being able to make price level comparisons in an efficient and timely manner. Hedonic motives (e.g. fun, amusement, fantasy, sensory stimulation) refer to the value received from the multisensory, fantasy and emotive aspects of shopping.
Consumers high on hedonic motives are more interested in the act of shopping itself independent of task-related activities (Arnold and Reynolds, 2003; Babin and Attaway, 2000) and view self-expression and personal gratification associated with shopping important. Both utilitarian and hedonic pursuits contribute to the total value a consumer expects to receive from the shopping experience.

Goswami and Mishra (2009) suggest that consumer patronage to grocery store is positively related to location, helpful and trustworthy salespeople, home shopping, cleanliness and offers; and negatively related to travel convenience. Kirana stores perform better on location while poorly on cleanliness, quality and helpful trustworthy salespeople. The opposite is true for modern retail format. Zameer and Mukherjee (2011) find that kirana stores are preferred due to location convenience, customized services and easy exchange facilities while modern retail stores attract consumers due to product variety, efficient-store management and other value enhancing services.
Research Methodology