

# **IMPACT OF SHOPPING EXPERIENCE ON CONSUMER LOYALTY: AN EMPIRICAL STUDY OF ORGANIZED RETAILERS**

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## **ABSTRACT**

Indian retail is a mix of organized as well as unorganized retail stores. Shopping experience plays an important determinant factor of consumer's loyalty, irrespective of type of retail store (Organized or Unorganized). Favorable shopping experience leads to positive propensity towards consumers' loyalty whereas unfavorable shopping experience leads to dis-loyalty.

This paper is an attempt to identify the impact that shopping experience has on consumer's loyalty in organized retail setup. Structural Equation Modeling technique was applied on a sample of 706 consumers to know the impact of various factors of shopping experience taking place in consumer loyalty. The results indicate that every factor of shopping experience considered for the study has positive impact on consumer loyalty. Execution Related Excellence (which means patiently explanation and advice, checking stock, helping find products, having product knowledge and providing unexpected product quality) has the least impact with CR value of 2.18 whereas Problem Recovery (which means helping resolve and compensate for problems, upgrading quality and ensuring complete shopper satisfaction) has the highest impact on consumer Loyalty with CR value of 3.41.

**Keywords:** : Shopping Experience, Consumer Loyalty, Organized retailers, SEM.

## **INTRODUCTION**

Indian retail is moving towards the modernization and evolving new ways of retailing day by day. Traditional markets commonly known as unorganized retail markets are improving their retailing activities and moving towards new formats for instance departmental stores, supermarkets, specialty stores etc. Mall culture can be seen in metro cities as well as in tier-II cities, familiarizing Indian consumers with an implausible experience while shopping. A.T. Kearney a well known US based research agency in 2012 ranked India fourth which indicate that India among the most proffered markets for international retailers to enter and establish businesses. All this and many more similar reports had made India the favorable business junction leading to the cynosure of many foreign eyes.

Indian retail setup is well occupied by majority small retailers like kirana shops, general grocery stores, chemist stores, footwear shops, apparel shops, paan and beedi shops, hawkers, pavement vendors, etc. all this clubbed together to form unorganized retail or traditional retail. In the recent past organized retailers had opened a number of stores in a variety of modern formats in metros and other big and small cities. These unorganized retailers have unorganized business activities like sourcing, procurement, Purchase, Distribution, quality management, selling, marketing etc.

On the other hand organized retailing is recognized by the trading activities of licensed retailers, who are registered for paying sales tax, income tax, etc and there business activities are organized, say sourcing, procurement, Purchase, Distribution, quality management, selling, marketing etc. For example hypermarkets, Supermarkets, retail chains, private retail businesses etc. According to A.T. Kearney report for the year 2012, organized retailing in India accounts for 7% of India's approximately US\$ 435 billion retail market, which is expected to be around 20 per cent by 2020.

## **LITERATURE REVIEW:**

This review of literature is divided into two main parts. First part is related to the shopping experience and later part with consumer loyalty. Through literature review three main factors of shopping experience was selected. These factors were Execution related excellence, Expediting and Problem recovery.

## **SHOPPING EXPERIENCE:**

The Shopping environment means the type of environment and the way people shop; it has evolved with time from the primitive to the modern day retail shop to the online or virtual stores. It was observed that consumers behavior changes with the type of shopping environment (Sinha & Uniyal, 2005). A detailed study of the subject related to shopping attitudes and the behaviors resulted in knowing the individuals shopping habit. This was further explored that perceptions of individuals have influence on shopping behavior which include store choice based on numerous factors like consumer demographics and psychographics (Cheng, Yee-Man & Hui, 2002; Darden & Ashton, 1974; Hansen & Deutscher, 1977), segmentation (Sinha, 2003) & need recognition (Bruner, 1986). It was also found that the product category also have varying impact on different consumers (Vijayarathy & Jones, 2000).

## **DIMENSIONS OF SHOPPING EXPERIENCE:**

In order to understand shopping experience more expressly available researches have been grouped into three main dimensions namely Execution Related Excellence, Expediting and Problem Recovery. All these available researches has been discussed below.

## **EXECUTION RELATED EXCELLENCE:**

Execution Related Excellence is a term given to the Shopping convenience, Physical aspects of the store, Personal Attention given by the staff, Courteousness of staff and to the feeling of enjoyment experienced by the consumers in the store. According to Wilhelm & Mottner (2005), teenagers also preferred going to a shopping mall whose atmosphere is friendly and made them feel welcomed. They wanted a mall which provided cool stores, entertainment options, attractive designing and a good place to spend time with friends, on the whole a good shopping experience.

Keng, et al. (2007) found that the personnel interaction actually optimistically influenced that perception of efficiency and excellent value. Encounters in the physical environment affect the perception of aesthetic and playfulness and all dimensions of customer experimental value. El-Adly, (2007) found six factor that influence

the consumer of the mall like comfort, diversity, entertainment, mall essence, luxury and convenience. Howard (2007) believes shopping to be a leisure pursuit and with the rapid development of shopping centers, both retailers and developers are trying to make it more of a pleasure activity. Kalhan (2007) 70 % of small shops & hawkers reported falling sales. This fall in sales is due to superior shopping environment, convenience, availability of variety, ambience of shop, availability of parking space and perception of quality of products sold in the mall premises.

Zia, Akhtar & Azam (2012) identified physical aspect, personal attention given by the store employees to the customers and Courteousness of staff as major determinant factor of shopping experience in organized retail setup. Thang & Tan (2003) and Dalwadi et al. (2010) supported that consumers' choice of shopping malls over traditional market stores is influenced by various factors like location, ambience, assortment, sales promotion schemes and in-store services.

Raut & Das (2011) easy accessibility to the store was treated as a major service factor by the customer. It was followed by variables like proximity of store to the residence, credit facility by the store, less traffic, free home delivery, fast billing and effective complaint handling system, good after sales service, convenient location, error free billing and easy product return policy by the store. Kushwaha (2011) found that factors like cleanliness, distance, price, quality, safety and space for shopping are the determinant factors for unorganized retail.

### **EXPEDITING:**

Expediting connote being sensitive to customers' time and long check-out lines, and being proactive in helping speed up the shopping process. Terblanche & Boshoff (2006) suggested that retailers will have to accept that it is not only what they are marketing but also how it is done. The personal (face-to-face) interaction between retail staff and shoppers is of critical importance at it effect shopping time. Sales personnel are required to offer instant services, full attention and to make customer feel willingness to help (Molina & Gil-Saura, 2009). It is important, that sales personnel has sufficient knowledge about products offered in store and they are able to handle complain (Ghosh, Tripathi & Kumar, 2010). Highly skilled, motivated and helpful sales personnel with good manners, leads to customer's willingness to visit store again and is one of the success factors in retailing (Ghosh, Tripathi & Kumar, 2010; Vogel, Evanschitzky & Ramaseshan 2008). Favorable perceptions of shopping quality, checkout speed, shopping efficiency and quality of time spent shopping leads to satisfaction, farther satisfaction leads to repeat patronage intentions and positive word-of-moth (Anic & Radas, 2006). Molina & Gil-Saura (2009) found that customer expectations are more positive, if there are more sales people visible in the store. Expectations are positive, because customers believe that personnel will help them in buying and checkout process. Whereas when store is crowded, customers have more negative expectations.

Raut & Das (2011) quick and error free purchase determines the shopping experience. In organized retail shops consumers experience quick, error free, with cash memo, free home delivery and on time delivery. Zia, Azam & Akhtar (2012) ease of shopping, helpful employees, quick and error free sales are the important factors that attract consumers to the organized retail outlets. Kewlani & Singh (2012) respondents across all ages, gender and income find the shopping experience with Malls as time consuming and prefer to shop at small retailers.

### **PROBLEM RECOVERY:**

Problem recovery denotes helping resolve and compensate for problems, upgrading quality and ensuring complete shopper satisfaction. The store policies that were considered included the return or exchange of purchases, shopping hours, payment options, and the system to deal with enquiries or complaints by consumers (Westbrook, 1981; Mazursky & Jacoby, 1985; Dickson & McLachlan, 1990; Dickson & Albaum, 1977). Raut & Das (2011) effective complaint handling system, good after sales service, Zia, Azam & Akhtar (2012) error free billing and easy product return policy by the store are the key highlights of an organized retail store. Unorganized retail store have poor response system.

### **CONSUMER LOYALTY:**

Dick & Basu (1994) define loyalty as a combination of strong relative attitude and high repeat patronage. Oliver (1999) argues that loyalty is a deeply held commitment to re buy or re-patronizes a preferred product or a service consistently in future, thus cause recurring same-brand or same brand-set purchase, in spite of situational influence and marketing hard work having likely switching behavior.

Reichheld (2003) defines loyalty as eagerness of someone a customer, an employee, a friend to make an investment or personal sacrifice in order to strengthen a relationship. In other words, to stick in long term with

particular supplier who gives to customer good value of product or service, even though supplier does not offer the best available price? Further Reichheld explains that Consumer Loyalty is one of the most important drivers of business growth because profitable business growth cannot be achieved without customer loyalty.

Store loyalty is the most important factor in retail business success (Anic & Radas, 2006; Ray 2009). Therefore, store loyalty concept has been investigated a lot during the past few decades. How customers develop true store loyalty and how store loyalty can be maintained are still open questions. In order to improve store performance, marketers are interested in customer loyalty drivers and their practical usage (Anic & Radas, 2006). It requires less marketing effort and resources to keep a loyal customer than to acquire a new customer (Ray, 2009; Sreedhara, Babu & Nagendra, 2010), because the loyal customer is less price sensitive (Tsai, Tsai & Chang, 2010), and more willing to recommend company to other people, thus bringing into business new customer (Bove, 2009; Reichheld, 2003; Tsai, Tsai & Chang, 2010).

## RESEARCH METHODOLOGY:

This study is a descriptive study as it describes the factors of shopping experience and consumer loyalty. It is also a causal study since it attempts to establish cause and effect relationship through Structural Equation Modeling (SEM). Since the study is based on the shopping experience and consumer loyalty of retail shoppers so the unit of analysis was retail consumers. This research is a cross-sectional study because it aimed to collect data only once, perhaps over a period of few months in order to answer the research objectives. A sample of 706 consumers was collected through convenience sampling method. In the present study, a structured close ended questionnaire designed specifically for the study was personally administered by the researcher to the retail consumers. The data was collected from Delhi NCR region.

## HYPOTHESES:

**H01:** There is no significant impact of “Execution related Excellence” on “Consumer Loyalty” in organized retailers.

**H02:** There is no significant impact of “Expediting” on “Consumer Loyalty” in organized retailers.

**H03:** There is no significant impact of “Problem Recovery” on “Consumer Loyalty” in organized retailers.

## ANALYSIS AND FINDINGS:

Several researches have suggested that causal relationships of factors and behavioral intentions can best be analyzed using SEM (Hair et al., 2006; Schumacker & Lomax, 1996). Thus SEM was employed to analyze the data and generate the models. SEM technique provides more realistic models than standard multivariate statistics or multiple regression models alone. By using SPSS AMOS 16 models can be obtained which show estimates and path diagram. The proposed model was tested with careful considerations associated to goodness of fit of the model to the data. Consequently, a specific best fitted model was generated.

To test the impact of Shopping Experience on Consumer loyalty in organized retailers, separate hypothesis were framed for all three dimensions. These dimensions are namely Execution related excellence, Expediting and Problem Recovery. Hypotheses considered to measure impact of shopping experience on consumer loyalty in organized retail environment with the CR values have been listed in Table 1.

**Table 1: Impact of Shopping Experience on Consumer Loyalty**

S.No	Variable/Dimension	Critical Value (CR)	Hypothesis
1	Execution Related Excellence	2.18	Not supported
2	Expediting	3.41	Not supported
3	Problem Recovery	2.98	Not supported

## EXECUTION RELATED EXCELLENCE:

Table 5.33 shows the descriptive statistics obtained while running the SEM on ‘Consumer Loyalty’. The table shows the C.R value obtained on ‘Consumer Loyalty’ with respect to Shopping Experience. This has been found that C.R-Value (Critical Value) to be 2.48 which is more than 1.99 which is an indication that significant impact of ‘Consumer Loyalty’ exists in organized retail setup. Thus this hypothesis was rejected.

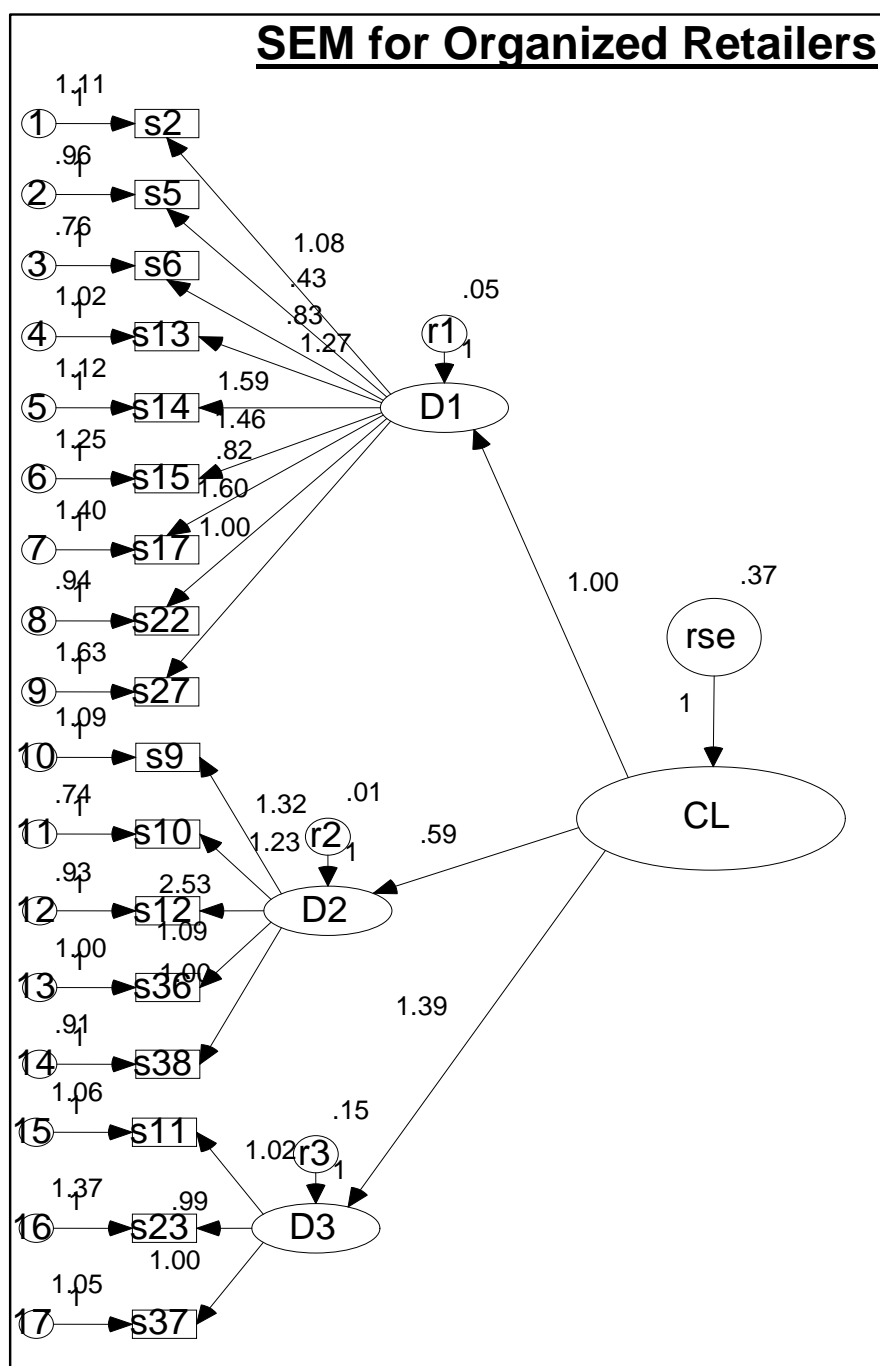
### EXPEDITING:

Table 5.33 shows the descriptive statistics obtained while running the SEM on 'Consumer Loyalty'. The table shows the C.R value obtained on 'Consumer Loyalty' with respect to Shopping Experience. This has been found that C.R-Value (Critical Value) to be 4.19 which is more than 1.99 which is an indication that significant impact of 'Consumer Loyalty' exists in organized retail setup. Thus this hypothesis was rejected.

### PROBLEM RECOVERY:

Table 1 shows the descriptive statistics obtained while running the SEM on 'Consumer Loyalty'. The table shows the C.R value obtained on 'Consumer Loyalty' with respect to Shopping Experience. This has been found that C.R-Value (Critical Value) to be 3.29 which is more than 1.99 which is an indication that significant impact of 'Consumer Loyalty' exists in organized retail setup. Thus this hypothesis was rejected.

Fig 5.4: Structural Equation Modeling





## CONCLUSION:

There is significant impact of shopping experience on consumer loyalty in organized retail setup. This finding is shown in Table 2, moreover the results of SEM shows that expediting has the highest impact of consumer loyalty whereas execution related excellence has the least impact on consumer loyalty among the three dimensions. This was observed that expediting has highest impact on consumer loyalty which signifies this fact that quick and error free transactions is the one most important factor in organized retail setup which attracts consumers and make them loyal. Further it has been observed that significant impact of all the three dimensions exists on consumer loyalty.

**Table 2: Impact of Shopping Experience on Consumer**

S.No	Variable/Dimension	Significant Impact
1	Execution Related Excellence	Yes
2	Expediting	Yes
3	Problem Recovery	Yes

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