

# **PERCEPTION MANAGEMENT TOWARDS ORGANIZED RETAILING**

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2019**

## **DECLARATION**

I, **Sameera C.K.**, do hereby declare that this thesis entitled **“Perception management towards organized retailing”** is a bonafide record of research work done by me under the guidance of **Dr. K.P. Muraleedharan**, Professor, Department of Commerce and Management Studies, University of Calicut. I further declare that this thesis has not previously formed the basis for the award of any degree, diploma, associateship, fellowship or other similar title of recognition.

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## **Certificate**

This is to certify that the thesis entitled “**PERCEPTION MANAGEMENT TOWARDS ORGANIZED RETAILING**” is a bonafide record of research work carried out by **SAMEERA C.K.** under my supervision and guidance for the award of Ph.D Degree of the University of Calicut and no part of the thesis has been presented before the award of any degree, diploma, or other similar title or recognition.

She is permitted to submit the thesis.

**Dr. K.P. Muraleedharan**

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## **ABBREVIATIONS**

GRDI	-	Global Retail Development Index
IBEF	-	India Brand Equity Foundation
CRISIL	-	Credit Rating Information Service of India Ltd
FMCG	-	Fast Moving Consumer Goods
PPP	-	Purchasing Power Parity
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
DPIIT	-	Department for Promotion of Industry and Internal Trade
DIPP	-	Department of Industrial Policy and Promotion
ICRA	-	Information and Credit Rating Agency
ICRIER	-	Indian Council for Research on International Economic Relations
SKU	-	Stock Keeping Unit
RFID	-	Radio Frequency Identification
PDS	-	Public Distribution System.
KVIC	-	Khadi& Village Industries
APMC	-	Agricultural Produce Marketing Committee
ILO	-	International Labour Organisation
CAGR	-	Compounded Annual Growth Rate
IGDS	-	Intercontinental Group of Departmental Stores

IOWG - Information Operation Working Group

C2W - Command and Control Warfare

PA - Public affairs

CA - Civil Affairs

PSYOP - Psychological Operations

CHAPTER I

# **INTRODUCTION**

The Indian economy is booming and it has triggered a new array of opportunities attracting people from all walks of life. India has become a hub for foreign direct investments after the economic reforms. The Infrastructure Technology, Telecommunication and many other sectors have seen unprecedented growth during the last few years. But the one industry that has gained considerable attention of common man is the booming retail industry. Unlike the previous period we witness the emergence of new forms of retailing as a response to the demand of increasing sophisticated consumers. The market is becoming more segmented with retail formats focusing on the needs of particular consumer groups. The result of this is the development of a more complex retail environment (David Gilbert, 2012).

Whatever revolution the retailing sector has undergone, retailing basically involves all activities concerned with the distribution of goods and services or creating possession utility to goods and services. Therefore, marketing is the core area for any retail operation as the success or failure of the retailer is based upon how well they understand and serve the needs of their customers. Thus the knowledge about consumer behaviour is important for the existence of the business sector. The success of marketing, in these increasingly competitive and global markets of today depends on the understanding of the decision making processes of the consumers. It is very essential for every marketer to have a clear idea as to how consumers perceive and respond to various marketing efforts the company might use.

As opined by Philip Kotler, marketers can study consumer purchase to find answers to questions like what they buy, where and how much. But learning about

the 'whys' of consumer buying behaviour is not easy - the answers are often locked up deep within the consumer's head. Understanding how consumers interpret their product or service needs or desires in relation to their perceived life circumstances is a pressing strategic issue in the current market climate.

Retail business has direct interaction with the consumers in the value chain. They act as intermediaries between the end users and the suppliers such as wholesalers or manufacturers. Therefore, they are in a position to effectively communicate the response and changing preferences of the consumers to the suppliers or the sales persons of the company. This helps the manufacturers and marketers to redefine their product and change the components of its marketing strategy accordingly (Rani 2012). In the past, when suppliers were dominant, retailers supplied the merchandise that was on offer and consumers selected from this. However, as retailers have become significantly more powerful they are able to exert their power over the suppliers and stock only the brands they wish to sell, depending on their overall retail strategy and supplier relationships (David Gilbert, 2012). With the advent of emerging retail formats the products to be offered to the consumers are determined by the retailer. Moreover, retail shelf space is now precious. So the retailer can highly influence the product and service needs of the consumers.

Retailers' existence is much depended upon the customer. The key for developing a successful retail strategy is consumer understanding. It includes identifying the target segment, the demographics of the segment, their needs and buying behaviour. The changing demographic features of consumers such as the increase in per capita spending by consumers, growing number of double income households, rising workforce with global travel etc. will obviously influence the development of innovative formats. This including Shopping malls, Hypermarkets and Supermarkets which began in India only after the 1990's. This drastically changed the consumer behaviour in India. Therefore the dynamic retail industry and evolving consumer demographics calls for the attention of marketing researchers to

throw light on the consumption pattern of Indian consumers in the retail industry and their perception level regarding the modern formats.

The three key players that have a prominent role in the retail evolution are distribution channels, governments, and consumers. Let us check in detail the role of each player.

#### **A. Role of distribution channels in marketing**

The channel through which the merchandise flows from the producer to the consumer is called channel of distribution. For the manufacturers, to reach the customers within a limited period of time, retailers are the emerging class of intermediaries. Their role in the society is inevitable. Through the customers' view point, goods in the required assortment, at the required place and time are provided by the retailers. The retailers bought goods from producers or wholesalers, and deliver the same to the customers. They are distributing the merchandise through stores located at convenient places, and they choose and display the merchandise based on the customer requirements.

Four patterns of distribution of consumer goods are described below.

- **From Producer to Consumer (Zero line channel system)**

In this type of channel of distribution, the manufacturer or grower sells his products directly to the consumers. Direct selling and manufacturers' retail stores are examples of this type of distribution.

- **From Producer to retailer to consumer (One line channel system)**

Under this system, the producer sells his products directly to retailer who in turn sells to the consumers. Much of the merchandise offered for sale in the department stores is produced through these channels. Department stores directly buy goods from the manufacturer, and then they sell those goods to the consumers. This type of distribution is used by the small independent stores, the chain store, and the mail order houses.

- **From producer to wholesaler to retailer to consumer (Two line channel system)**

Generally, most of the products the retailer buys from the wholesaler, who procures those products from the producer. For some categories of merchandise such as hardware, groceries, drugs and drug products, and other lines of convenience goods, distribution through the wholesaler is the most economical form.

- **From producer to agent to wholesaler or to retailer to consumer (Multiline channel system)**

When the markets are widely scattered and the volume is small, this type of distribution is most economical. An agent middleman is important in the distribution of canned goods, fruits and vegetable, flour, textile merchandise, lumber and automotive equipment.

### **Role of retailer in distribution channel**

From an economic point of view, the retailer provides real added value or utility to the customer. Retailer performs certain functions like, anticipates customer wants, developing assortments of products, acquiring market information, and financing.

The value creating functions performed by retailers are as follows:

#### **1. Providing an Assortment of Products and Services**

Retail formats like supermarkets carry more than 30,000 different items made by over 500 companies. Offering huge variety of products will provide customers a wide selection of brands, designs, size, colour and price at one location.

#### **2. Breaking Bulk**

Typically manufacturers and wholesalers ship merchandise in bulk quantity to the retailers. Retailers then offer products in smaller quantities as per the requirement of consumers or consumption pattern. This is called as bulk breaking. Breaking bulk is important to both the manufactures and consumers. While it is cost



effective for manufacturers to pack and transport merchandise in large quantities the customer get to purchase merchandise in smaller and more manageable quantities.

### **3. Holding Inventory**

A major function of retailers is to keep merchandise in smaller sizes, so that the products will be available as per the customer's requirements. By maintaining the inventory, retailers provide a benefit to customers as they reduce customers cost of storing products.

### **4. Providing Services**

Retailers provide services which make it easy for the customers to purchase products of their own choice. They display the products, which will help the customers to view and test them before buying. Some retailers also provide home delivery service for the purchase above a particular amount. Salespeople in retail store also provide guidance to the customer regarding product and also provides some additional information too.

From a traditional marketing viewpoint, the retailer is one of the numbers of possible organisation through which goods produced by manufacturers flow on their way to consumer destiny. Over a period of time, the retailers have become more dominant in the distribution channel. Their passive distribution status has been transformed into a more aggressive one, using price as a competitive weapon. They introduce ranges of own branded goods and developing shopping environment that engender loyalty to an outlet rather than loyalty to a product (Sajal Gupta, 2010). The retail revolution that has occurred both at the global and national level are described below.

### **Global retail**

In the 1920s, one could not even dream of retailing as it exists today. One could never imagine that from their humble beginnings, supermarkets in the West would evolve into their present form. Initially, many items used to come in bulk and were sold as it is at the retail outlets. Potatoes were sold from barrels and later from

100 pound sacks, while sugar was sold from 100-pound sacks and butter in tubs. The average grocery store was originally very small and expanded only with the passage of time. The retailers were keen to acquire the know-how to upgrade their quality and service for the consumers and to develop the best stores possible.

In the Initial period of twentieth century, the consumers bought different products at different shops and at different places. It was back then, Chain stores such as the Great Atlantic and Pacific Tea Company (now known as the 'A & P' chain of stores) started introducing new methods of food selling. They began to sell different products under one roof (one-stop shopping). In order to compete with the chain store, the small merchants were compelled to open self-service stores. The supermarket revolution was first sparked off its span in the 1920s and by the 1930s; the self- service supermarket concept had become quite popular. It was influenced by the success of Michael Cullen, an independent operator who opened the King Kullen supermarket in Jamaica, New York.

In the 1950s, it had won acclaim almost throughout America. It was in the mid-1930s, that A & P too opened its first supermarket in the mid-West. Very soon other chains followed, and large supermarkets, replacing small stores were opened everywhere. As supermarkets grew, they extended the self-service concept to other foods besides groceries.

However, the competition among the retail stores were so fierce that it had not only precipitated dramatic changes in the international retailing industry, especially in the latter half of the twentieth century, but also promised to unleash more excitement in the new millennium. Many of the old and informal store formats completely transformed into the scientifically designed new form.

Over the last few decades retail industry has witnessed a sea change. The world's largest retail giant of the present Wal-Mart is operating worldwide by establishing hypermarkets in various countries by taking the help of sophisticated means of communication as well as information systems technology. A careful analysis of the trends reveals that in the Fortune 500 list of organizations, 50 are

from retail industry and the top rank is occupied by the world's number one retail giant Wal-Mart. Let us go through some global retail facts.

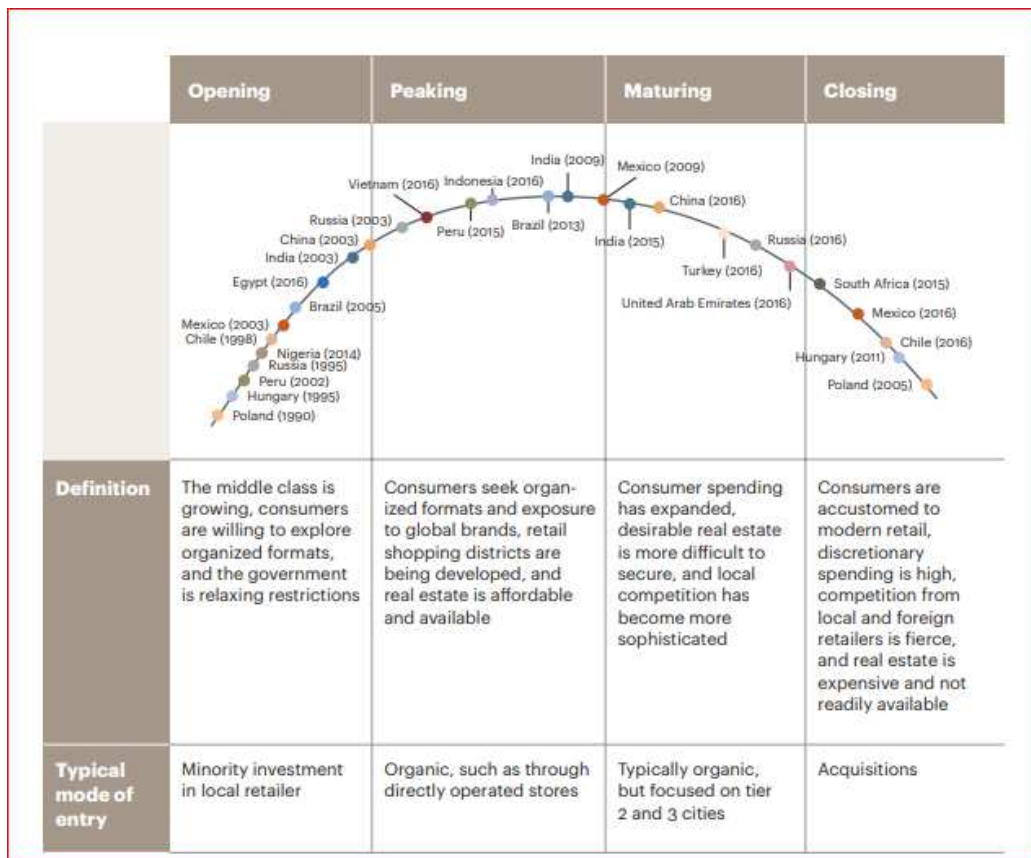
*Table 1.1: Top 10 organizations in fortune 500 list*

<b>Top ten rank</b>	<b>Name of company</b>	<b>Country of Origin</b>	<b>FY 2017 Retail revenue(US\$M)</b>
1	Walmart	US	500.345
2	Costco wholesale Corporation	US	129.025
3	The Kroger Co	US	118.982
4	Amazone.com.Inc	US	118.575
5	Schwarz Group	Germany	111.766
6	The Home Depot,Inc.	US	100.904
7	Walgreen Boots Alliance,Inc.	US	99.115
8	Aldi Einkauf GmbH & Co	Germany	98.287
9	CVS Health group	US	79.398
10	Tesco PLC	UK	73.912

Source: Global retail report 2017, Deloitte & Euro monitor

Global retail is experiencing an explosive modernization as investment rushes into developing markets. As the wealthiest markets mature, more retailers are pursuing new growth opportunities. They are eyeing countries new to modern retailing, smaller cities (as larger cities become saturated) and customer segments hungry for specialty products. It is difficult to determine which new market is the most promising one. With this in mind, for helping the retailers A.T Kerney developed the Global Retail Development Index (GRDI).

Figure 1.1: GRDI Window of opportunity



Source: AT Kerney analysis

The GRDI identifies the windows of opportunity to help retailers make strategic investments in exciting new markets. The concept is based on the notion that markets pass through four stages of retail development (Opening, Peaking, Declining and Closing) as they mature, a process that typically takes 10 to 15 years. Generally companies can use the window of opportunity as a time frame to plan their market entry strategies.

### Evolution of Retailing in India

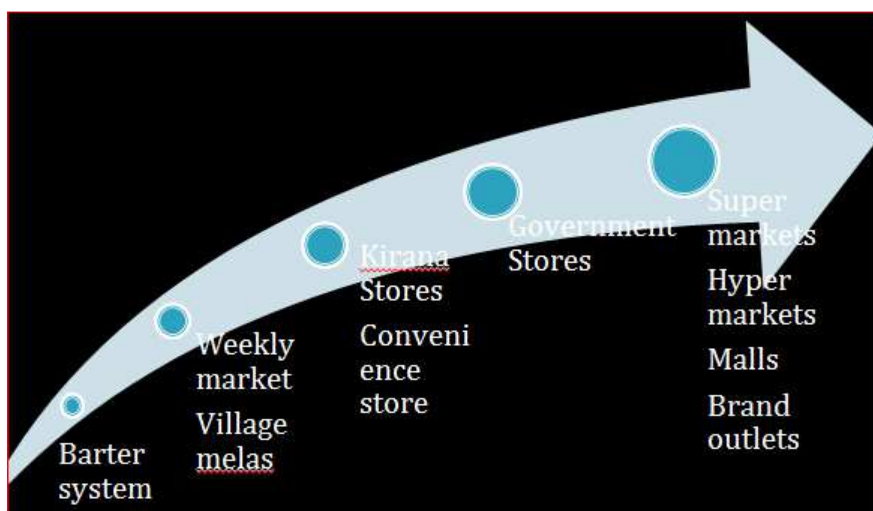
Early retailing in India can be traced to the weekly haats or gathering at the market place where vendors used to put their offering on sale. This market place also saw the emergence of local 'Mom and Pop stores', i.e., the common kirana stores selling multiple goods with convenient availability. Kirana stores have traditionally dominated the Indian retail market for a long time. Bulk of the retail stores in India

are small family-run businesses utilizing predominantly household labour. The inherent advantages of the unorganized retail sector include low-cost structure, negligible real estate cost, economical labour costs, low tax liabilities and familiarity with shop-loyal customers.

Organized retail began to make its presence felt in India in the 1970's when shops like Raymond's, Nallis and Bata entered the market through their exclusive stores or franchisees. The early 1980's witnessed the emergence of organized retail stores such as "Akbarallys" in Mumbai and "Spencer's" in Chennai. These stores later evolved into multi-chain outlets and were the first to establish the concept of organized retailing in India. But they lacked the required infrastructure.

During the 1990's, the wave of Liberalization, Privatization and globalization ushered in new retailing formats, modern techniques and exclusive retail outlets like Shopper's Stop(1991), Pantaloons(1997) and others. Further transformation was seen during the early years of the 21st century with the opening of numerous Supermarkets and Department stores. The affluent and the upper middle class enjoyed the shopping ambience, friendly layout and the single point-of-purchase for a wide variety of goods (Rani, 2012). In spite of being a growing industry, organized retail sector accounts for only 10% (2018, Techno-Park Report) of the retailing industry in India.

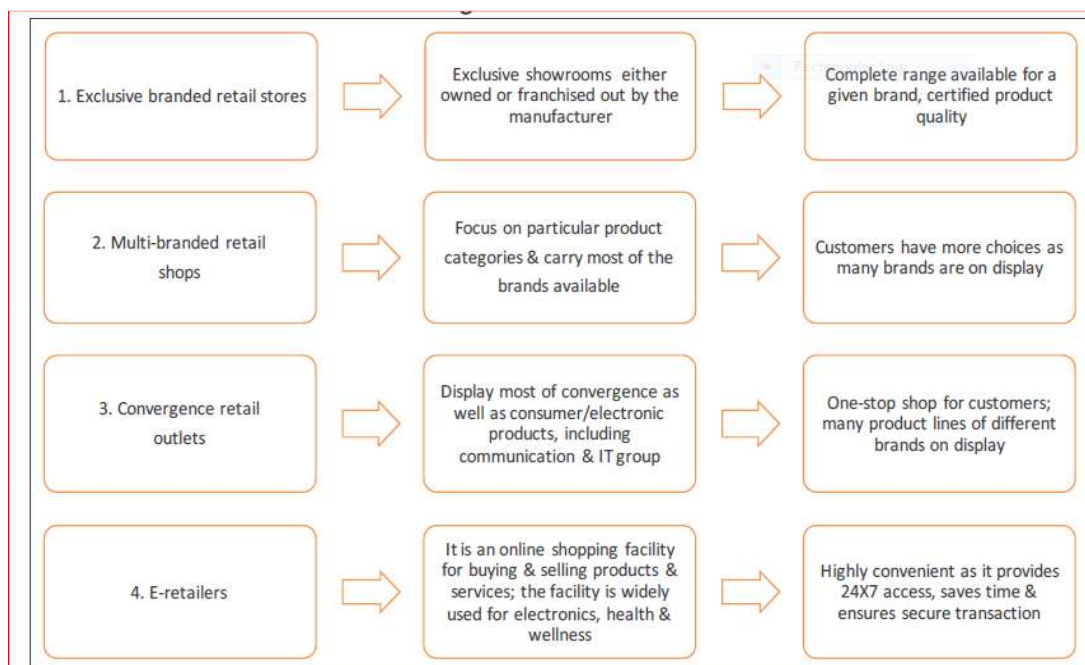
Figure 1.2: Introduction to organised retail



Source: IBEF

The Indian retail sector witnessed sharp growth over the last few years. However it is largely dominated by the unorganized sector. There has been a tremendous growth in the organized segment as major retail players in the country like Tata, Reliance Industries and many others are very much interested to investing in the Indian Retail market. Many other progressive players stepped into the territory with long term goals to expand their business across verticals, cities, formats and segments. Food & grocery, clothing & footwear segment are the main revenue drivers in the Indian retailing sector.

*Figure 1.3: Organized retail formats in India*



Source: IBEF

### **Benefits of organized Retailing**

India's Planning Commission, in its Approach Paper for the Eleventh Five Year Plan, (2006, pp. 27-8) has noted: "Organized retailing brings many benefits to producers as well as to urban consumers. It will also provide employment of a higher quality. Organized retailing in agricultural produce will enhance supply chains and give better prices to farmers as well as to consumers."

## **1. Link with Agriculture**

Organized retail will drastically change the agricultural supply chain in the country. CRISIL's study has reported that, in 2007 a total annual loss of about 1,000 billion in the agricultural supply chain. 57 per cent of which is due to avoidable wastage and costs of storage and commissions (*CRISIL Research, June 2007*). Organized retailers have already started procurement of fruits and vegetables directly from the farmers, which leads to disintermediation. They are investing huge amounts in logistics. This includes centralized warehousing and distribution centers, transport and cold storage. Large numbers of unskilled workers for sorting, grading, packaging and labeling are employed by them. All these initiatives will improve quality of products and reduce the ultimate consumer price.

## **2. Benefits for consumers**

Organized retail can offer consumers several benefits such as wider product choice, lower prices, better shopping experiences and enhanced quality levels.

## **3. Greater job creation**

Organized retail will create more employment opportunities. The most significant increase will be in front-end jobs for retail staff. Organized retail can provide skilled as well as unskilled jobs.

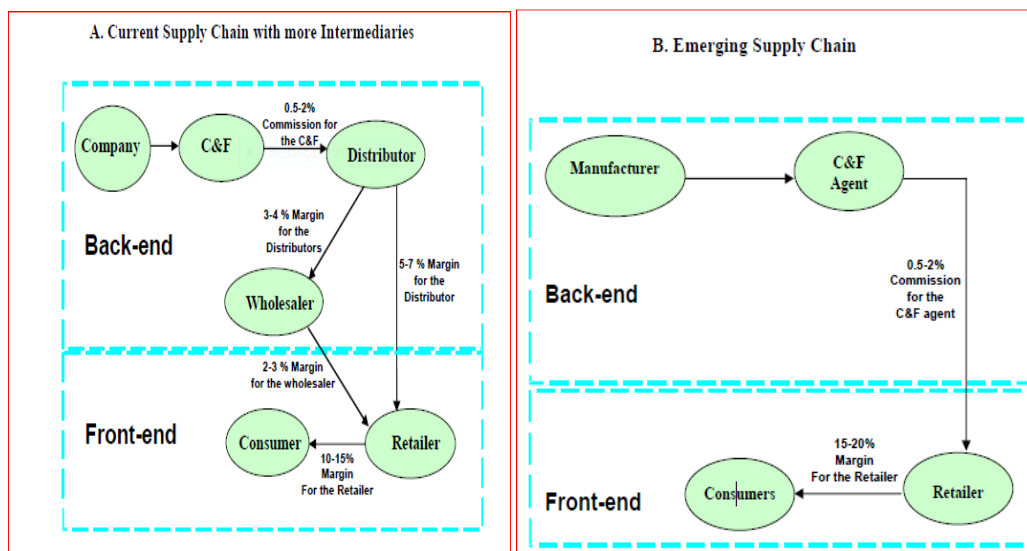
## **4. Efficient supply chain**

The robust sourcing and distribution network likely to be set in place by modern trade would result in a more efficient supply chain management, reduced lead times, fewer stock outs, reduced wastage, and consistent product quality.

Presently, most of the organized retailers operations are done through multiple channel intermediaries. As they are widen their operations and set up their own distribution centers with improved technology, they can adopt disintermediation. Elimination of intermediaries would bring reduction in transaction costs, packaging, credit, commissions, etc.

Below charts illustrate the traditional (current) supply chain and the new supply chain that could emerge in the FMCG and apparel categories.

Figure 1.4: Illustrative supply chains for an FMCG product



## 5. Survival of traditional retail

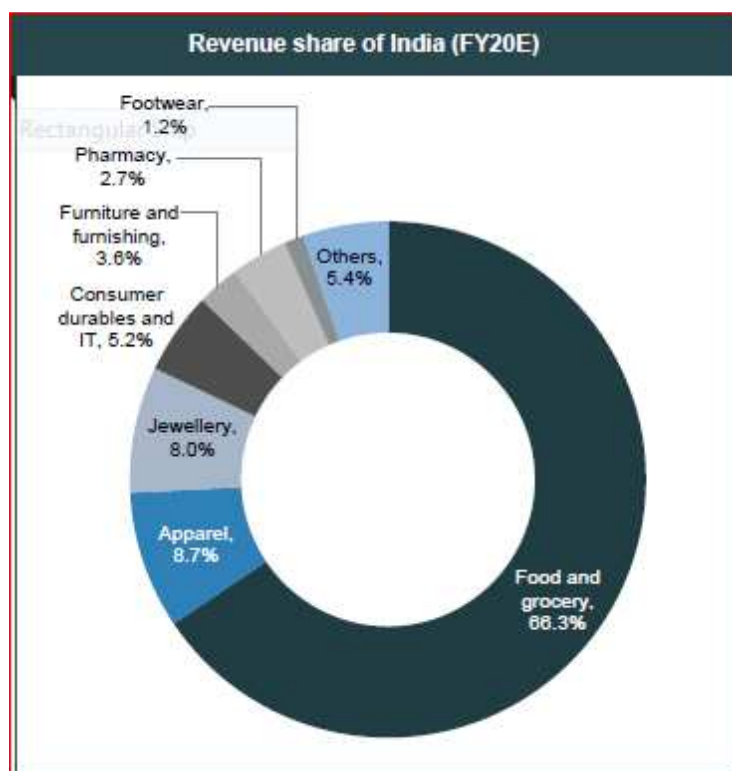
In India both organized and unorganized retailers will continue to co-exist. Currently, major share of retail belongs to unorganized sector and it will remain a significant force in the future also. As growing consumption warrant the growth of both organized and unorganized retail, the later have to innovate, upgrade their stores and enhance value-added services to retain and strengthen the relationships with their customers.

### Indian Retail Industry – Present Position

By 2020, food and grocery segment is expected to account for 66 per cent of the total revenues in the retail sector followed by the apparel segment. Demand for Western outfits and readymade garments; have been growing at 40–45 per cent annually. After 2017 being a favourable year for herbal-ayurvedic brands, new Indian organic labels in hair care, cosmetics, food and apparel are gearing up to establish an organic niche in the growing herbal segment.



Figure 1.5: Retail sectors



Source: India Brand Equity Foundation

India is the 3rd largest economy in the world in terms of Purchasing Power Parity (PPP) only behind China and US, As per World Development Indicators database published by World Bank in February 2017.

The Annual A T Kerney Global Retail Development Index ranks 30 emerging countries on a 100 point scale. The higher the ranking the more urgency there is to enter a country. Countries were selected from a list of 185 countries based on three criteria, country risk, size of the population and wealth. In 2018, India and China switch places, with India overtaking China for a first rank.

The conditions for retailers in India are favourable and will continue to provide strong fundamentals. The GDP in 2018-19 is 7.3% and it is expected to expand 7.6% in 2019-20(IMF report), which is helping to boost the middle class and increase consumer spending beyond essentials. These trends are expected to help organized retail double its size by 2020. The government is taking steps to eliminate the federal and state rules that curtail retail development and new regulations are being developed to attract investment and increase consumption. India's

rapidly expanding economy, relaxation of FDI rules and the consumption boom are said to be the key drivers for the country's top ranking in the GRDI.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), the Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling US\$ 1.59 billion during the period of April 2000 – December 2018.

Online retail is projected to grow 30 percent annually and reach \$ 48 billion by 2020, driven by high promotional activity and payment solutions such as cash on delivery. Electronics, Accessories and Lifestyle products are the most popular online categories. Lifestyle retailers such as Shoppers Stop are investing in Omni channel offerings to meet this demand for online shopping. However, maintaining a profitable online operation is a challenge and has led to some consolidation. One of the largest online retailers 'Amazon' acquires 'The book depository' an U.K based online retailer in 2011. During 2018, Global retail giant Walmart has paid \$16bn (£11.8bn) for a majority stake in Flipkart-India's biggest online retailer, making this the world's largest ever e-commerce acquisition.

After a detailed discussion of the role of distribution channels, especially the last channel member retailer, the study goes to analyse the role of government in retail revolution.

## **B. Role of Government in Retail Revolution**

### **Foreign Direct Investment in Retailing in India**

In many emerging markets, the way in which government influences the retail sector lies in its ability to set policies regarding foreign direct investment. Foreign Direct Investment (FDI) is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise and research and development in the host country. Indian government denied foreign direct investment (FDI) in multi-brand retailing in India until 2011. This restricts foreign retailers in investing from sale of multiple products under different brands directly to Indian consumers.

FDI in single brand retail was permitted to the extent of 51% in 2006 while FDI in multi-brand retail In India remained prohibited till recently. In July 2010, the Department of Industrial Policy and Promotion (DIPP) had put up a discussion paper proposing FDI in multi-brand retail in the country. In July 2011, a Committee of Secretaries (CoS) had cleared the proposal to allow FDI up to 51% in multi-brand retail which has been approved by the Union Cabinet in November 2011, albeit with a few riders. The Union Cabinet has also approved increasing the FDI limit in single brand retail to 100% with government approval. While no parliamentary approval is required for the decision, State Governments have the right to prohibit the same in their respective states.

Table 1.2 shows the Indian FDI policy in retail sector since 1991 and table 1.3 shows the regulations relating to implementation of FDI.

Table 1.2

*Indian FDI Policies*

July 1991	51% FDI allowed in certain stores
January 1997	100% FDI allowed in “cash and carry” format
February 10, 2006	51% FDI in single brand allowed with government approval
November 24, 2011	51% FDI in multi- brand retail approved
December 7, 2011	51% FDI in multi- brand retail put on hold
January 10, 2012	100% FDI in single brand retail allowed
September 14, 2012	51% FDI in multi brand retail again approved
September 20, 2012	Retail sourcing norms amended for FDI in Lokhsabha
December 07, 2012	FDI in multi-brand retail bill passed in Rajya Sabha
June 06, 2013	June 06, 2013 Queries of prospective investors on FDI Policy for multi- brand retail clarified by the Government
August 01, 2013	August 01, 2013 Amendments in FDI Policy for multi-brand retailing approved by Union Cabinet
May 27, 2014	FDI in Multi-Brand retail policy put on hold by the newly elected BJP Government and will be evaluated in a calibrated manner

Source: USDA GAIN report, 2014

Table 1.3

*FDI Regulations in India*

<b>Parameters</b>	<b>Multi-brand Retail</b>	<b>Single Brand Retail</b>
Ownership requirement	Minimum investment of US\$ 100 million by the foreign investor	The foreign investor should be an owner of the brand
Investment towards back-end infrastructure	At least 50% of the investment by the foreign company to be in back-end infrastructure <sup>1</sup>	-
Location of stores	Stores to be restricted to cities with a population of one million or more (53 cities as per 2011 Census); given constraints around real estate, retailers are allowed to set up stores within 10 km of such cities	-----
Sourcing	At least 30% of manufactured items procured should be through domestic small and medium enterprises (SMEs)	In respect of proposals involving FDI beyond 51%, 30% sourcing would mandatorily have to be done from domestic SMEs and cottage industries artisans and craftsmen
Sales		Products to be sold should be of a 'single brand' (only those brands which are branded during manufacturing) only; sold under the same brand name internationally
Approval of State Governments required		While the proposals on FDI will be sanctioned by the Centre, approvals from each State Government would be required

Source: Press Information Bureau, ICRA

In the developing countries, changes in the demographics and increase in the purchasing power of consumers attract the attention of foreign retailers to make investments there. So, the reason behind the emergence of Foreign Direct

Investment in retail is the consumer. They play a vital role for the introduction of innovative retail formats in developing countries.

### **C. Role of consumers in retail revolution**

Through global visit and advancement in telecommunication Media, consumers are exposed to worldwide products. Developing market consumers are hungry for specialty products. Growing double income households and percapita income add fuel to this. At this juncture, understanding consumer's psychological makeup is inevitable to crack the potential market for retailers. Many researchers make an attempt to unveil the black box of the consumer. They developed their own consumer behaviour models also. But it is very difficult to predict their behaviour in a particular purchase decision. The present study also tries to develop a consumer behaviour model based on the concept of perception management. Consumer perception is a highly influencing aspect on Purchase decision, which is formed on the basis of stimuli offered by the retailer. Knowledge about the influence of perception on consumers and how it affects the behavioural intentions is highly essential to the retailers for redesigning the stimuli to shape the consumer perception.

#### **Perception Management**

In marketing context "PM is the ability to understand the consumer's actual perception and use those as a path for shaping desired perceptions, reinforcement and for changing negative consumer perception. Over and above, it also wield distinct informative signals and strategies to influence the consumers perception as desired by the marketer".

Although perception management operations are typically carried out within the international arena between governments and between governments and citizens, use of perception management technique have become part of mainstream information management systems in many ways that do not concern military campaign or government relations with citizenry. As clearly evident in advertising and marketing campaigns, perceptions can be managed (Peter Callamari, 2003).

Perception management is more methodical, leading an adversary to more slowly implements changes favourable to the originator. Even though it is widely used in international politics and military, recently its application in business found to be worthwhile especially in crisis management and winning consumers. PM demands strategic oriented planning as it is concerned with long-term complex manipulative process of influencing the opinion of others which takes into account a proactive rather than a reactive methodology.

The main emphasis of the present study is the application of a Perception Management Model in Organised retail context. In this model the emphasis is given to the perceptual influence of the marketing mix provided by the retailer. Information is the primary raw material that the marketer works with in influencing the consumers. Therefore an understanding of the perception process is an essential to guide to the marketing strategy. Information processing is a series of activities by which stimulus is perceived, transformed into information and stored. Exposure, attention, interpretation and memory constitute perception.

Consumer's perception with regard to selected perceptual variable before and after their visit to the organized outlet were analysed in the study. The perceptual influence on their purchase behavioural intentions is also included. It helps to know the effectiveness of stimuli's provided by the organized retailer, so as to help them to make necessary changes to shape the consumer perception process.

As the essence of the model lies in the information processing aspect, marketing managers can enhance their operations by making their outlet as information environment. Also they should be careful about misinterpretation of information. The model ends with behavioural intention of the consumer which is influenced by the perception.

### **Conceptual frame work of Perception Management**

The study makes an attempt to devise Perception Management through combining the two streams of research i.e., S-O-R Model and Perception Management Model.

The present study gives a brief review of the studies done so far on Stimulus Organism Response Model, on the one hand and Perception Management on the other. In doing so, the study will show that although both research streams traditionally have different foci, the underlying features of both streams are more similar than what the scholars explicitly acknowledge. That is, the S-O-R model and Perception Management literature have both pointed to the same information that are argued to be important for measuring the response on the one hand and the management of consumers perceptions on the other. So the study argues that both research streams can be combined in order to examine the role of modern retail signals in managing consumer's perceptions of and behavioral reactions towards the organized retailing.

Scholars in the field of environmental psychology have conducted a number of studies by using Mehrabian-Russel model to store environment studies [e.g., Anderson P., (1986); Dawson, Bloch, & Ridgway, (1990); Golden & Zimmer, (1986); Sherman & Smith, (1986); (Azeem 2013); (Bakers 1990) and (Binter 1992)]. This leading environmental psychology approach is based on the Stimulus-Organism-Response paradigm (S-O-R). This study also tries to validate this paradigm.

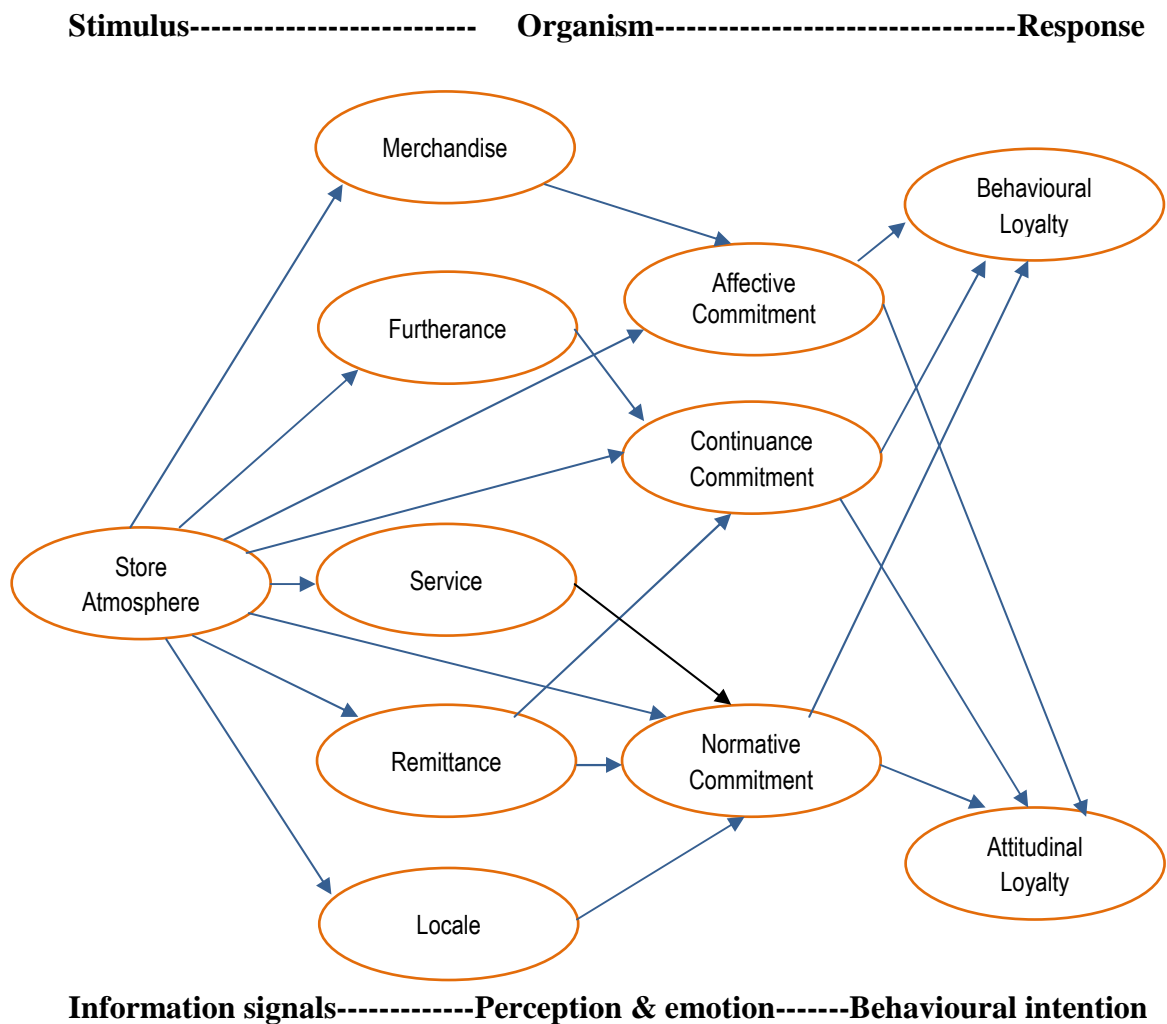
Perception Management scholars have particularly looked at different informative signals and strategies that affect the perceptions of external audience and how these perceptions affect stakeholders' behavioral reactions toward the company (Brown & Dacin, 1997; Elsbach & Glynnn, 1996; Rao, 1994; Rindova, Williamson, & Petkova, 2005). Scholars tend to emphasize that informative signals can intensify stakeholders' emotional attraction towards a firm, eventually leading to stronger identification with the organization and inherently positive behaviours toward the firm (Bhattacharya & Sen, 2003; Fombrun & Van Riel, 2004). Haldener (2008) studied the Perception Management as a linkage between organizational identity expressions (signals), stakeholder's perception and behavioural intention towards the organization.

The study show that, despite their different foci of concern, both types of research streams focus on similar types of linkage of information. The study argues that it is at these similarities of relationship that both research streams cross roads

and where we combine insights to study the role of organized retail marketing related signals in managing consumer's perceptions and behavioral reactions toward the organised retailing.

However at this margin, we do not have specific insight into how the organized retailers in fact manage their marketing related signals, and how this affects consumer's perceptions and subsequent behavior. In an effort to gain more insight into this question, the present study attempt to bridge the insights of S-O-R Model and Perception Management literature and work towards a model that illuminates how the modern retail signals affect the perceptions of the consumers.

Figure 1.6: Conceptual Model





### **Store atmosphere cues (signals)**

Retailers face an increasingly competitive market place and they find it more difficult to differentiate their stores solely on the basis of merchandise, price, promotion or location. The store itself however can offer a unique atmosphere or environment that may influence the consumer's patronage decision (Kotler, 1973). Consumers interact with retail environment during all household purchases they make and many consumers make decisions at the point of purchase. Thus, in store elements such as colour, lighting, style or music may have more immediate effect on decision making than the other marketing inputs that are not present at the point of purchase(eg;Advertising)(Baker,2000). Atmospheric cues can exert a strong influence on the consumer attitude and behaviour. Consumer evaluations can be influenced not only by single cues but also by a combination of related cues.

The store atmosphere stimuli can also exert emotional influence on the consumer. Many researchers classified the store environmental cues depending on their common characteristics differently. Donovan & Rossitor (1982) initiated a stream of empirical research, documenting the ability of the environment to change consumer emotions and thereby affect behaviour that drive retail and service provider performance. For example, positive affect encourages shopper to stay longer and interact with other employees more, build a positive store image and improve merchandise and service quality perceptions (Baker 1994). Further Binter (1992) found that retail products are evaluated more positively in an environment eliciting pleasant emotions when compared to unpleasant emotional reactions. Also negative emotions generally create a desire to withdraw from an environment. It may encourage consumers to be less patient while waiting for the service and can lead to lower involvement.

Russel (1974) found that Music will have an influence on the individual emotional reaction which in turn affects an individual's behavioural responses. Majority of the studies on music as an independent variable has focused on the emotional influence of music. R.Michon (2005) conducted an experiment in a community shopping mall in Canada and found that the positive effect of ambient

scent on shopper's perception of the mall atmosphere is observed only at the medium retail density levels. One of the biggest concerns for every store retailer is the store layout. According to Lewison (1994) store layout influences both shopping atmosphere and shopping behaviour of consumers visiting the store. The tactile factors such as temperature and smoothness of the floor create aesthetically sensitive environment that potentially increase customers value due to personal comfort and aesthetic values. A study by Chan (1966) found that the availability of resting seats improves store patronage. Other examples of such facilities include refreshment kiosks, child care corners, clean washrooms etc. These public area facilities increase the consumer's pleasure of being in the store and indirectly prolong the duration of their visit.

### **Perception and emotion as organism**

The organism refers to the intervening internal process between the stimuli and the reaction of the consumers. It is a process in which the consumers converts the stimuli into meaningful information and utilize them to comprehend the environment before making any judgment or conclusion. Essentially it consists of the perceptual, psychological and thinking activities(Bagozzi 1986). Consumers may use the environmental cues as a basis for developing an inference about the price, product, or service quality in that store (Kirk L Wakefeild, 1998). For example, the use of carpet floor and elegant décor in a store design may make consumers infer that the store might charge high price and provide high quality of merchandise and service. Marketing signals serve as a surrogate indicator for consumers, as they form beliefs about the services or product quality. The physical environment is rich in such cues, and as such may be very influential in customers (Rapopart, 1982).

The present study examines the influence of the store atmosphere on the marketing stimulusuch as merchandising, furtherance, service, locale and remittance. A chief attraction of an organized retail store is on its **merchandising**. Stores that are perceived as having superior merchandising are likely to be preferred by the consumers (Doreen et al., 2002). Furtherance is related to promotional aspectsof marketing. Promotions help to create public awareness about the activities of the

store and increase the likelihood of patronage (Bagozzi et al., 1988). To a certain extent consumer's visit to the retail stores often takes the form of a recreational activity whose worthiness is reinforced by the level of service provision within the store, which includes providing information on merchandise, responding to consumer query, guidance to merchandise location, attendance by sales personnel and so on (Doorenet al., 2002). Accessibility or locale is another factor that attracts the shoppers to the store. Better accessibility implies fewer impediments and consequently less displeasure to consumers making a trip to the store. Speedy check outs and multiple payment options will facilitate easy buying and the price display also acts as a reference for comparison and save the time used for shopping.

Insights derived from three interrelated theories ---inference theory, schema theory and theory of affordance---constitute the overall foundation of our proposition about the inference of store atmosphere. Inference theory suggests that people make judgments about the unknown on the basis of the information they receive from the cues that are available to them (Huber&McCann1982, Nisbett&Ross 1980). Schemas are cognitive structures of organized prior knowledge, abstracted from experience that guides inferences and predictions (Fiske 1982). They help to shape people's expectations in new or ambiguous contexts(Fiske&Linville 1980), Similarly the theory of affordance suggest that people perceive the store atmosphere as a meaningful entity and that such a perception conveys the information directly to them(Gibson 1979). These theories together imply that consumers attend to store atmosphere cues when evaluating stores because they believe that these cues offer reliable information about product related attributes such as quality, price and overall shopping experience (Binter 1992). For example, a customer entering a store with tile floor, the smell of popcorn and fluorescent lighting may access from memory "a discount store" schema and infer that the stores merchandise is low priced and of average quality and that the store has minimal services. Empirical evidence supports the idea that information from environmental cues influence consumer perception of service providers (Baumgarten&Hensel 1987) and helps consumers to categories service firms.

## **Commitment & loyalty as the Response - Behavioural intention**

The response is the final outcome or final action towards the reaction of consumers including psychological reactions such as attitude or behavioral reactions (Bagozzi, 1986). Depending on the organism process, the resultant emotional state can influence consumer's inclination to continue, curtail or cease his retail behaviour in the store (Donovan and Rossitor 1982).

For the store loyalty to occur store commitment is a necessary condition and its absence may lead to spurious loyalty. A consumer becomes committed to the store and thereby becomes store loyal based on the explicit and extensive decision making as well as evaluative processes done towards the considered store (Bloemer & Ruyter, 1998). The essence of affective commitment is that the customers come to acquire an emotional attachment to their partner in a consumption relationship. When consumers come to like (or, in some cases, love) brands or service providers, they experience the psychological state of affective commitment and friendship (Fullerton 2009). Researchers who have examined the dark side of marketing relationships have implicitly recognized that commitment can have an effect on consumer behavior via both feelings of positive affect and feelings of continuance. Normative commitment represents a force that binds customers to the company from a sense of moral obligation (Allen and Meyer 1990; Meyer and Herscovitch 2001).

For empirical analysis of the conceptual model the present study used Structural Equation Modelling.

### **Significance of the Study**

Indian retail industry is one of the rapidly growing industries in the country. It comprises of organised and unorganised sector. Nowadays, with changes in the taste and preferences of the consumers, the industry is become more popular and organised as well. Entry of large diversified business houses into retail business has created a plethora of new and modern retail offerings to the consumers.

There are varying arguments regarding the growth of organized retailing in India. Some scholars list out the likely benefits of large-scale organised retail.

Kumar (2006) argued that FDI in retail improves growth prospects. Liberalization of retail raises overall economic welfare and does not result in loss of employment. Some restructuring will take place but local markets will not close down. Both can coexist as they fulfill different needs and serve different clientele. Mehta (2007) opine that organized retail would bring significant benefits to Indian consumers and give them value for money. "The standard of living of the people will increase and they will have a better lifestyle which will result in the development of the economy as a whole."

A study conducted by the Indian Council for Research on International Economic Relations (ICRIER) argues that the growth of organised retail in India is of benefit for low-income consumers and farmers. It has claimed that "Profit realisation for farmers selling directly to organised retailers is about 60 per cent higher than that received from selling in the mandi", the study further says: "While all income groups saved through the entry of the organised retail purchases, lower income consumers saved more."

But there are opposing arguments also in connection with organized retailing. First of all, organised retail brings about monopoly. There will be just four-five retail giants who would be having a greater hold over the market. The result may not be that the consumers get the best product and the best price. What we get as a result of organized retail sector is compromised quality and compromised price. It doesn't necessarily lead to the general economic development or income generation in the nation as most of the profit taken from the end customer is divided mostly between the producer and the retailer. The worker or the service-man gets a smaller part. Organized retail also leads to a monopoly in buying prices whereby the retailer buys the goods at a price that he thinks is suitable for him. There is a reduced role of market forces or in other words the market forces are controlled by the big retailers, which mean that it no longer remains free market economy at all. Further, the producer of the good is also not paid the best price or the reasonable price.

Amidst the contradictory arguments the present research intends to find out how the consumers perceive and respond to the stimuli provided by the organized

retail outlets. It is observed that there are not many comprehensive and detailed studies about consumer behaviour available in our country especially in organized retail context. In Kerala, very few studies have been conducted on consumer behaviour. No study is seen to have been conducted about the perception management of consumers in the organized retail sector.

### **Statement of the Problem**

Organized retailing can be seen in the sprawling shopping malls, Hypermarkets & huge complexes which offer shopping and entertainment under one roof. The last few decades have witnessed the entry of a number of organized retailers. They are opening new retail formats in metros and other important cities. This segment has begun to conquer the enormous market but with a meager share.

The important specialty of the organized retailer is the attractive atmosphere it employs as a marketing tool. In addition they provide organised merchandising, promotional offers and better product displays. To Indian consumers organised retailing is a new experience, mostly the upper and middle income groups are influenced by the organised retail offerings. The low income group also enjoys the shopping trips to these outlets as leisure. Researches in this area revealed that, even though the consumers are making visits to the organized outlets the **conversion rates** are very low. The customer conversion rate is calculated by dividing sales transactions (number of people who made a purchase) by gross traffic counts (number of people who entered your store). Hence; the consumer patronage behaviour in the organised outlets is an area to be explored.

Consumer perception is a key factor influencing patronage behaviour. Marketer tries to create a positive perception by using various marketing stimuli as communication tools. Organised retailers are trying to attract consumers through varied stimuli. It is claimed that, the advent of modern retailing benefited the consumers in many ways. Cheaper prices, better quality products on account of its enhanced procurement practices, increased choice to the consumers are worth mentioning. Moreover, developments in the areas of technology transfer and employment opportunities are some other benefits. Even though modern retailers

have invested in the supply chain in varying degrees, there is mixed evidence that consumers ultimately fetch low prices in the modern formats. The literature, however, does not provide concrete empirical evidence regarding such effects. As a result of this it has been critical for the modern retailer to understand the local consumption pattern to offer the right mix in the rapidly changing Indian market.

This study is undertaken mainly with a view to study the consumer's perception about the stimuli provided by the organised retail outlets and the impact of such perceptions on their commitment and loyalty behaviour, especially among the organised retail consumers in Kerala.

### **Scope of the Study**

This research proposes to make a detailed study of the consumer's perception about organised retail marketing stimuli and store loyalty among the consumers. Unorganised retailing is beyond the scope of the study. The Marketing stimuli include the main marketing mix elements provided by the organized retailers. Needless to say, the service quality dimension of the retail mix is not covered in the present study. The elements have been selected based on a pretest. The study considers only commitment and loyalty factors as behavioral intention elements. Consumer trust and satisfaction is beyond the scope of the study.

Coverage of this study is also limited to organised outlets only. Even though there are different kinds of organised formats, the coverage of this study is limited to Shopping Malls, Hyper Markets and Super Markets. The product categories covered include only the basics (food grocery), ready-mades and electronic items. It intends to study the consumers belonging to all income groups above the age of 18 years. Geographically, the study is limited to the state of Kerala.

## **Objectives of the Study**

The objectives of the present study are:

1. To analyze the perceptual change of the consumers with regard to marketing stimuli provided by the organized retailer after their visit to the outlet.
2. To analyse the influence of store atmosphere on consumer emotions.
3. To develop a framework describing the nature of store loyalty behavior based on the influence of store atmosphere, marketing stimuli perception and store commitment.
4. To examine the effects of store evaluation (marketing stimuli perception) and shopper characteristics on store loyalty and
5. To make necessary recommendation based on the findings of the study.

## **Hypotheses of the Study**

On the basis of the above objectives the following major hypothesis has been formulated.

1. There is no significant difference in the consumer perception about marketing stimuli of the organized retail store before and after their visit.
2. Consumer's loyalty is independent of the consumer's age, gender, education, occupation and income.
3. Consumer's loyalty is independent of the type of products they purchase, locational distance, amount of purchase, frequency of visit, year of starting to visit and sources of information to visit.

In addition to the above the research model tests the following hypothesis also.



Table 1.4

*Hypotheses (Research model)*

<b>Hypotheses (Aggregate &amp; Formats wise)</b>	<b>Supporting studies</b>
H1: Store atmosphere does not significantly influence merchandising perception	(Kotler 1973) and (Crowly 1993)
H2: Store atmosphere does not significantly influence furtherance perception	Simoks (1985)
H3: Store atmosphere does not significantly influence service perception	(Wicker, 1973), (Gardner&Siomokos, 1980)
H4: Store atmosphere does not significantly influence locale perception	(Canter, 1983) and (Tites&Everet, 1995)
H5: Store atmosphere does not significantly influence remittance perception	(Hui, Dube&Chebat 1997)
H6: Store atmosphere does not significantly influence Affective commitment	(Morgan Hunt, 1994)
H7: Store atmosphere does not significantly influence continuance commitment	(Burnham, Frels, and Mahajan (2003) and (Becker 1960)
H8: Merchandising perception does not significantly influence Affective commitment	(Morgan & Hunt,1994)
H9: Furtherance perception does not significantly influence Continuance commitment	(Burnham, Frels, and Mahajan (2003)
H10: Remittance perception does not significantly influence Continuance commitment	(Burnham, Frels, and Mahajan (2003)
H 11: Locale perception does not significantly influence Continuance commitment	(Ailawadi & Keller, 2004; Hunt, Geiger-Oneto, & Varca, 2012)
H12: Locale perception does not significantly influence affective commitment	(Ailawadi & Keller, 2004; Hunt, Geiger-Oneto, & Varca, 2012)

<b>Hypotheses (Aggregate &amp; Formats wise)</b>	<b>Supporting studies</b>
H13: Merchandising perception does not significantly influence normative commitment	(Meyer & Allen 1997) and (Foxall, Goldsmith, and Brown 1998)
H14: Furtherance perception does not significantly influence normative commitment	(Meyer & Allen 1997)
H15: Service perception does not significantly influence normative commitment	(Gordon Fullerton,2011)
H16: Affective commitment does not significantly influences behavioural loyalty.	(Fullerton, 2003) and (Harrison, Walker,2001)
H17: Affective commitment does not significantly influence attitudinal loyalty	(Dick&Basu1994;Fullerton 2003)
H18: Normative commitment does not significantly influence behavioral loyalty	Bansal, Irving, and Taylor (2004)
H19: Normative commitment does not significantly influence attitudinal loyalty	(Yasar Fahmi Al Abdi 2010)
H20: Continuance commitment does not significantly influence behavioural loyalty	(Dowling& Uncle 1997).
H21: Continuance commitment does not significantly influence attitudinal loyalty	(Dowling& Uncle 1997).

### **Contribution of this Research to Theory and Practice**

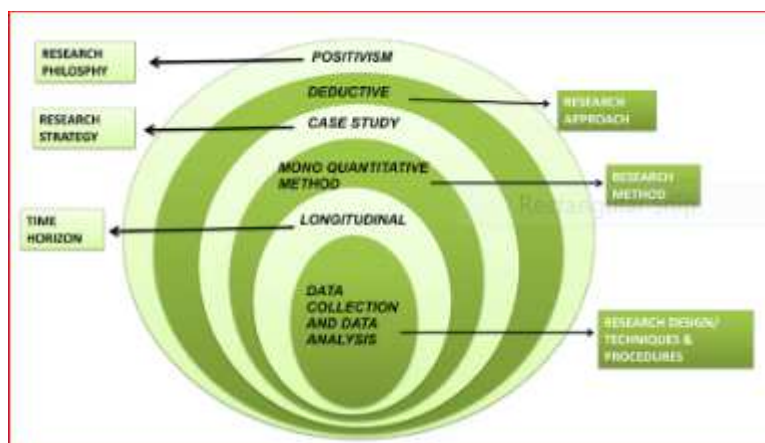
This research aimed to validate existing theories in perception management with emphasis on S-O-R model in Indian context in general and Kerala context in particular. Even though several studies of this nature have been conducted in different parts of the world no such studies have been conducted in Kerala. The findings of the study will also be useful for organized retailers, Government and various consumer organizations in taking policy decisions about this sector in future.

## RESEARCH METHODOLOGY

Research methodology is the scientific guidelines for solving a research problem with emphasis on research philosophy, research approach, research methods, research strategy, time horizon and research design (Ishak&Alian, 2005).

It describes the general strategy used for the research and among other things identifies the methods to be used (Howell, 2013). The whole methodology is represented in a research onion.

*Figure 1.7: Research Onion*



### Research Philosophy

It refers to the beliefs and assumptions about the advancement of knowledge. In the words of Bryman (2012), it is a set of beliefs concerning the nature of reality being investigated. The assumptions created by a research philosophy provide the justification for how the research will be undertaken (Flick, 2011). In short a research philosophy is the question related to what is the nature of truth. Broadly there are four research philosophies used, namely (1) Positivism (2) Critical realism (3) Interpretivism and (4) Pragmatism. These classifications are based on the ontological, epistemological and axiological assumptions.

Ontology refers to the assumptions as to how a person analyse the world of business and hence the researchers choice is restricted to objective or subjective or a

combination of two (Thomas & Hady, 2011). In this research, the researcher used objective approach in developing new knowledge.

Epistemology refers to the method of finding out the reality and the theories relating to it. It also explains what creates acceptable values and genuine knowledge and how we convey the knowledge to others. Therefore, it may be quantitative or qualitative or a combination of both (Clegg, 1982). In this research the researcher employed quantitative criteria for interpreting knowledge in the field.

Axiology refers to the performance of values and ethics within the research method. This incorporates questions on how the researcher deals with his own values, and the values of those who are part of the research (Thomas & Hady, 2011). In this research, the researcher assumes value free. Hence, the researcher has used positivism as a research philosophy for the study.

### **Research approach**

Broadly there are three approaches to generation of knowledge, namely.

1. **Deductive approach:** This approach develops the hypothesis or hypotheses upon a preexisting theory and then formulates the research approach to test it (Silverman, 2013).
2. **Inductive approach:** This approach is characterized as a move from the specific to the general (Bryman & Bell, 2011). In this approach, there is no framework that initially forms the data collection and the research focus can thus be formed after the data has been collected (Flick, 2011).
3. **Abductive approach:** This is a form of logical inference which starts with an observation or set of observations then seeks to find the simplest and most likely explanations for the observations.

In this research, since the researcher is trying to validate the existing theories of perception management, we have employed deductive approach.

## **Research Strategy**

It refers to how the research intends to carry out the research work (Saunders et al, 2017). This includes a variety of things like case study research, action research, experience research and survey research etc. In this study this scholar has used survey strategy for finding out answer to the research objectives.

## **Methodological choices**

It refers to the method employed by the researcher in exposing various aspects of the research questions and objectives. Broadly there are several methodological choices available namely

1. Mono quantitative
2. Mono qualitative
3. Multi quantitative
4. Multi qualitative
5. Mixed methodology etc

In this study the researcher has used mono quantitative method (Saunders et al, 2017).

## **Time horizon**

Time horizon is the time framework within which the project is intended for completion (Saunders et al, 2007). Two types of time horizons are specified within the research onion; the cross sectional and longitudinal (Bryman, 2012). The cross sectional time horizon is one already established, where by the data must be collected. A longitudinal time horizon for data collection refers to the collection of data repeatedly over an extended period, and is used where an important factor for the research is examining change overtime (Goddard & Melville, 2004). In this research, the researcher has used cross sectional time horizon.

## **Research Design**

The study is designed as a descriptive one based on both secondary and primary data.

## **Source of Secondary Data**

The secondary data necessary for the study have been collected from the following sources.

- Journal of Marketing Research
- Journal of Advertising Research
- Journal of Consumer Research
- Advertising and Marketing Journal (A & M)
- Journal of Marketing and
- Data published by Marketing Research Organisations like IBEF, ICRIER, etc.

## **Primary Data**

Since most of the information necessary to fulfill the objectives of the study are not available from secondary sources, the researcher mainly based the study on relevant primary data collected by conducting field survey from selected sample respondents in Kerala.

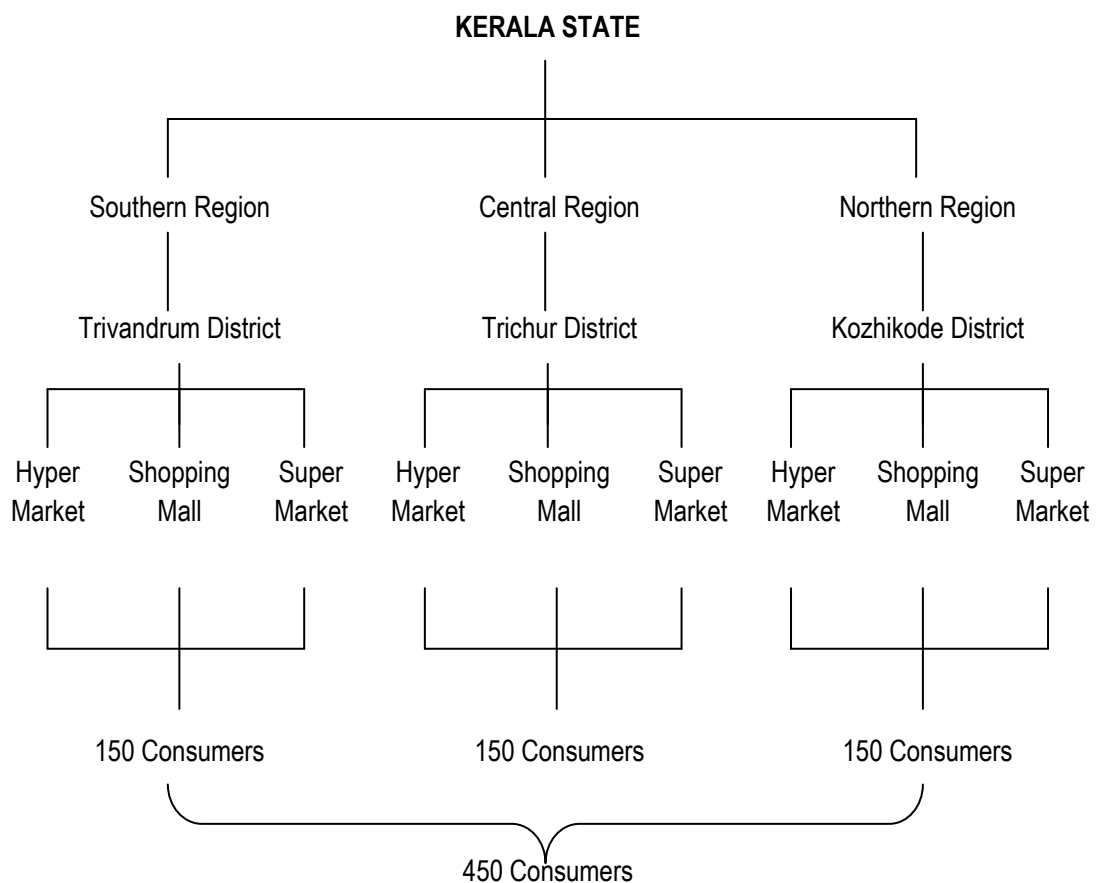
## **Sample Design**

A multi stage sampling technique is used for selecting the sample respondents. As a first stage the whole state has been divided into three regions viz; Southern Region covering four southern districts Thiruvananthapuram, Kollam, Pathanamthitta and Alappuzha, Central Region covering Ernakulum, Kottayam, Idukky, Thrissur and Palakkad districts and Northern Region covering Kozhikode, Wayanad, Kannur and Kasaragode and Malappuram. From each region one district each has been selected at random by using lottery method as the first stage sample. Thus from Southern Region Trivandrum is selected, Central Region Thrissur is selected and from Northern Region Kozhikode is selected.

As the second stage, the researcher has prepared a complete list of all the organized retail formats in the selected districts. The official database regarding the number of organized retail formats was not available. The prepared list has appended in the theses.

The organized retail formats consist of Supermarket, Hypermarket and Shopping Mall. From each format one organized outlet is selected at random from each selected district. Thus for Trivandrum, Thrissur and Kozhikode three organised retail stores one each from each format has been selected at the second stage sample. Then, 50 customers have been chosen at random from each of the selected stores. The data is collected systematically by interviewing every 10<sup>th</sup> consumers visited in a shop, in five consecutive days including holidays. Thus 150 customers have been selected from each region. All together there have been 450 respondents who represent the customers of the above mentioned three formats.

### Sample Design



## **Tools of Data Collection**

Keeping in mind the objectives of the study, an interview schedule covering all aspects of the study has been developed taking into account the valuable suggestions of the experts in the field. It has been pre-tested on a small trial group (consisting of 50 samples from the Northern Region) to check the variability in the perception of the consumers and the validity and reliability of the questions in the schedule. On the basis of the response from the pilot study, necessary modifications have been made in the schedule and the modified interview schedule has been used for the collection of primary data. A copy of the interview schedule is appended.

The interview schedule is divided into six sections. First section includes questions related to the demographic details of the respondent. Second section deals with general purchase behaviour of the consumers. Third section of the questionnaire consists of the scales measuring the cognitive factors of the study. The cognitive components are measured using five marketing stimuli constructs i.e., merchandising perception, remittance perception, locale perception, furtherance perception and service perception. The fourth section measures emotional influence of the store atmosphere on the consumers and fifth section deals with responses to the stimuli provided by the retailers and measured through commitment and loyalty.

## **Method of Data Collection**

Undisguised direct personal interview method has been used for the collection of primary data. The researcher herself conducted the interview during the period from 1<sup>st</sup> March 2017 to 1<sup>st</sup> August 2017.

## **Variables Used for the Study**

Following are the variables used by the researcher to fulfill the objectives of the study.



Table 1.5

*List of Variables Analysed*

Purpose	No. of variables	Name of Variable
1. To prepare the profile of respondents	6	1. Age 2. Education 3. Sex 4. Residence 5. Income 6. Occupation
2. To measure the general purchase behaviour of organized retail customers	6	1. Purpose of visit. 2. Starting to visit the retail store 3. Frequency of visit 4. Type of products 5. Amount of purchase 6. Distance of residence
3. To measure the Marketing Stimuli's perception of consumers	16	<b>Product related</b> 1. Superior Product quality 2. Wide brand selection (Assortment breadth) 3. Variety in each brand (Depth of assortment) <b>Price related</b> 4. Price display 5. Easy billing 6. Multi payment options <b>Place related</b> 7. Good Parking facility 8. One stops shopping (All in one place) 9. Convenient location <b>Promotion related</b> 10. Reasonable price 11. Availability of Products on offers 12. In store promotional Offers

Purpose	No. of variables	Name of Variable
		<b>People related</b> 13. Helpful employees 14. More product knowledge 15. Individual attention
4. To examine the emotional influence of store atmosphere on consumer's store commitment and loyalty.	5	1. Store layout 2. Public areas 3. Air condition 4. Attractive smell 5. Music and Cleanliness.
5. To develop a framework describing the store loyalty behaviour based on perception, emotion and commitment.	5	1. Affective commitment. 2. Continuance commitment. 3. Normative commitment. 4. Attitudinal loyalty. 5. Behavioural loyalty.

### Scaling Technique Used

Since most of the information collected from the customers is qualitative in nature, it becomes necessary for the researcher to use scaling techniques to quantify the qualitative information. For this purpose, Lickert's five point scaling technique is followed by keeping neutrality in the middle for quantifying the various qualitative aspects of the study such as consumer perception, consumer commitment, loyalty, etc.

## Tools Used for Data Analysis

For the purpose of analysis and interpretation of the data, the following statistical techniques were applied:

Table 1.6

### *Data Analysis Tools*

<b>Purpose</b>	<b>Parametric/Non-parametric</b>	<b>Name of the test</b>
1. To test the significance of differences of perception before and after the visit to the organised outlet.	Parametric	Paired sample t test
2. To determine systematic association between demographic variables and loyalty variables.	Parametric	Chi-square test(Cross tabulation)
3. To test the statistical significance in various cases	Parametric	One way anova
4. To assess the causal relationship between the constructs	Parametric	Structural Equation Modelling(Warp pls)
5. To describe the specific characteristics of a group	Parametric	Discriminant analysis

## Measurement of perceptual change

To measure the perceptual change of consumers about organized retailing an informal experimental design (Before and after without control design) is followed.


Important Informal experimental designs include:

- (i) Before-and-after with control design.
- (ii) After-only with control design.
- (iii) Before-and-after without control design.

1. **Before-and-after with control design:** In this design two areas are selected and the dependent variable is measured in both the areas for a time-period before the treatment. The treatment is then introduced into the test area only, and the dependent variable is measured in both for a time-period after the treatment. The treatment effect is determined by subtracting the change in the dependent variable in the control area from the change in the dependent variable in test area(C R Kothari, 2007). This design can be shown in this way:

Table 1.7

*Before-and-after with control design*

	Before		After
<b>Test area</b>	Level of phenomenon before treatment( $X_1$ )	Treatment introduced	Level of phenomenon after treatment( $X_2$ )
<b>Control area</b>	Level of phenomenon without treatment( $Y_1$ )		Level of phenomenon without treatment( $Y_2$ )
<b>Treatment effect</b>	$= (X_2 - X_1) - (Y_2 - Y_1)$		

2. **After-only with control design:** Under this design two areas, such as test area and control area are selected. Then the treatment is introduced only to the test area. Dependent variable is measured, in both areas at a time. The value of the dependent variable in the control area is subtracted from its value in the test area; the treatment impact can be assessed. This can be exhibited in the following form:

Table 1.8

*After-only with control design*

<b>Test area</b>	Treatment introduced	Level of phenomenon after treatment( $X_2$ )
<b>Control area</b>	→	Level of phenomenon without treatment( $X_1$ )
<b>Treatment effect</b>	$= (X_2) - (X_1)$	

3. **Before-and-after without control design:** In this design a single test group is selected and the dependent variable is measured, before the introduction of the treatment. After introducing the treatment the dependent variable is measured again. The treatment effect can be measured through subtracting the level of the phenomenon after the treatment minus the level of the phenomenon before the treatment. The design can be represented thus:

Table 1.9

*Before-and-after without control design*

<b>Test area</b>	Level of phenomenon before treatment( $X_1$ )	Treatment introduced	Level of phenomenon after treatment( $X_2$ )
		→	
<b>Treatment effect</b>	$= (X_2) - (X_1)$		

The present study follows this design. Consumer perception about organized retailing before the store visit has been collected with regards to selected variables. After the visit of organized retail store, their perception with regard to the same variables is also collected. The difference is considered as perceptual change.

Symbolically

$$\text{Perceptual change} = \text{PC} = X_2 - X_1$$

Where  $X_2$  is post visit perception

Where  $X_1$  is pre visit perception

## **Structural equation modeling**

Structural Equation Modeling can be used to estimate a network of causal relationships defined according to a theoretical model. The term structural equation model refers to both the structural and measurement model together. Structural equation modeling (SEM) includes both the inner model (structural model) which describes the relationships between the latent variables in the model and outer model (measurement model) which describes the relationships between the latent variables and their indicators. Therefore the path coefficients are inner model parameter estimates; whereas weights and loading are measurement model parameter estimates (Neetha Eppan, 2013).

The proposed model is tested by using **Warp PLS 6.0** version. Partial Least Squares (PLS) approach, has been adopted in this study. The PLS approach, introduced by H.Wold in 1975, focuses on maximizing the variance of the dependent variables explained by the independent, instead of reproducing the empirical covariance matrix (Haenlein & Kaplan, 2004).

The choice for Warp PLS is justified from two aspects. The first aspect is that the present study is the first to make an attempt in using marketing stimuli perception as antecedent of store commitment, whereas in past studies the antecedent of store commitment has been studied as trust, satisfaction, service quality etc. Hence, the researcher used the PLS based SEM as it is more exploratory in nature and is applied when new models are developed. The other aspect is that, SEM is a combination of factor analysis and multiple regressions. Another important feature of Warp PLS is the inclusion of model fit indices. It estimates several model fit indices for checking whether data is adequately represented by the model. Warp PLS enables evaluation of measurement model as well as structural model simultaneously. The following table shows the reliability and validity criteria use in Warp PLS.

Table 1.10

*Reliability and validity measures*

<b>What to check?</b>	<b>What to look for?</b>	<b>Is it ok?</b>
<b>Internal consistency reliability</b>	Cronbach alpha coefficient	<b>0.70</b> or higher
	Composite Reliability	<b>0.70</b> or higher
<b>Validity</b>	AVE numbers	>0.05
<b>Convergent validity</b>	“Loadings” and Values	P values associated with loadings be lower than 0.05 and the loadings be greater than 0.5
<b>Discriminant validity</b>	“AVE” numbers and latent variable correlations	Fornell& Larcker(1981)suggest that the”sqare root” of AVE of each latent variable should be greater than the correlation among the latent variable
	VIF	3.3 or below(Kock,2012)

Source: Kock 2012

**Reliability**

Reliability refers to the extent to which a scale produces consistent result if repeated measurements are made. An unreliable construct cannot be valid. So first we should assess the reliability of the construct in the measurement model.

The first criterion to be evaluated is typically internal consistency reliability. The traditional criterion for internal consistency is Cronbach's alpha, which provides an estimate of the reliability based on the inter correlations of the observed indicator variables. Cronbach's alpha assumes that all indicators are equally reliable (i.e., all the indicators have equal outer loadings on the construct). Cronbach's alpha is sensitive to the number of items in the scale and generally tends to underestimate the internal consistency reliability. As such, it may be used as a conservative measure of internal consistency reliability. Due to Cronbach alpha's limitations in the population, it is more appropriate to apply a different measure of internal consistency reliability which is referred to as the composite reliability.

## **Discriminant Validity**

In order to establish discriminant validity, we must show that the construct is distinct from other constructs and thus makes a unique contribution. Thus, establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model. Two measures of discriminant validity have been proposed (Hair et al, 2013).

Discriminant validity tests verify, whether responses from the respondents to the questions are either correlated or not, with other latent variables. A measurement model has acceptable discriminant validity if the square root of the average variance extracted (AVE) for each latent variable is higher than any of the correlations between the latent variable under consideration and any of the other latent variables in the measurement model (Fornell & Larcker, 1981).

## **Convergent Validity**

Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct. Convergent validity tests establish whether responses to the questions are sufficiently correlated with the respective latent variables. Convergent validity is usually assessed based on the comparison of loadings calculated through a non-confirmatory analysis with a fixed value (Ketkar, Kock, Parente & Verville, 2012).

## **Model fit**

Warp PLS estimates several model fit indices for checking whether data is well represented by the model. To assess the model fit, Kock (2012) recommended that the p-values for the average path coefficient (APC) and the average r-squared (ARS) be both lower than 0.05 and that the average variance inflation factor (AVIF) be lower than 5. These criteria were also checked in all the cases.

## **Common terms used in structural equation modeling**

**Latent variables:** These are the underlying variables that cannot be observed directly. They are also known as constructs or factors.



## **Formative vs. Reflective Measurement**

There are two types of measurement scale in structural equation modeling; it can be formative or reflective.

**Formative Measurement Scale:** If the indicators cause the latent variable and are not interchangeable among themselves, they are formative. In general, these formative indicators can have positive, negative, or even no correlations among each other (Haenlein & Kaplan, 2004; Petter et al., 2007).

**Reflective Measurement Scale:** If the indicators are highly correlated and interchangeable, they are reflective and their reliability and validity should be thoroughly examined (Haenlein & Kaplan, 2004; Hair et al., 2013; Petter et al., 2007).

## **Discriminant analysis**

Discriminant analysis (also known as discriminant function analysis) is a powerful descriptive and classificatory technique developed by R A Fisher in 1936 to (a) describe characteristics that are specific to distinct groups and (b) classify cases into preexisting groups based on similarities between that case and the other cases belonging to the groups. Specific descriptive questions that can be answered through discriminant analysis include the following: (a) in what ways do various groups in a study differ? (b) What differences exist between and among the number of groups on a specific set of variables? (c) Which continuous variables best characterize each group, or, which continuous variables are not characteristic of the individual groups? (Michael, 2000).

Discriminant function analysis is one of the most versatile and most often used multivariate procedures in marketing research. In marketing research we often face a situation in which we have two or more groups, and we want to develop a better understanding of how these groups or items differ in terms of some set of explanatory metric variables, such as a set of attributes or performance ratings that we assume to be of equal intervals. Discriminant analysis can be used to determine which predictor variables are related to the dependent variable. It is also widely used

to create perceptual mapping by marketers. This will help the retailer to get an idea of customer's perceptions in different segments and also targets them better in their marketing campaigns.

### **Statistics associated with discriminant analysis**

The important Statistics associated with discriminant analysis includes the following

#### **Canonical correlation**

Canonical correlation measures the extent of association between the discriminant scores and the groups. It is a measure of association between the single discriminant function and the set of dummy variables that define the group membership.

#### **Centroid**

The centroid is the mean value for the discriminant scores of a particular group. There are as many centroids as there are groups because there is one for each group. The mean for a group on all the functions are the group centroids.

#### **Discriminant Function Coefficient**

The discriminant function coefficients (unstandardized) are the multipliers of variables when the variables are in the original units of measurement.

#### **F value and their significance**

These are calculated from a one way Anova with the grouping variable serving as the categorical independent variable. Each predictor in turn serves as the metric dependent variable in the Anova.

#### **Group means and group standardized deviation**

These are computed for each predictor for each group.

## **Structural correlation**

Also referred to as discriminant loadings, the structure correlations represent the simple correlations between the predictors and the discriminant function.

## **Wilks lambda**

Sometimes also called the 'U' statistics, Wilks lambda for each predictor is the ratio of the within group sum of squares to the total sum of squares. Its value varies between 1 and 0. Large values of lambda (near 1) indicate that the group mean does not seem to be different. Small values of lambda (near 0) indicate that the group mean seems to be different.

## **Operational definitions of the terms used**

### **Organized retailing**

The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana Stores to purchase their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. Beginning in the mid- 1990s, however, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person – the owner. Many Indian players like Shoppers Stop, Pantaloon Retail India Ltd (PRIL), Spencer Retail ventured into the organized retail sector and have grown by many folds since then. These were the pioneers of the organized Indian retail formats (Tina, 2017).

Organised retail is characterized by high investment requirements, large premises, trained staff (Madan sabnavis, 2017). They are licensed and registered to pay taxes to the government (Arun, 2012). They are usually chain stores, all owned by a central entity or a single store that is larger than some cut-off point (Sajal Gupta, 2008). The relative uniformity and standardization of retailing is the key attribute of organised retailing. Based on the insights obtained from various literatures we operationalize organized retail as;

*“Formats that emerged or become popular in the 1990s, having professional management and efficiency of integration with the value chain. They provide all products under one roof with self-selection facility and better ambience, which includes Supermarkets, hypermarkets and shopping malls”*

## **Supermarket**

Unlike in the West supermarkets are not very prominent in India. Supermarkets are departmentalized with self-service offering. It concentrates largely on selling food -related products, limited non-food items such as health and beauty related items and general merchandise (Sajal Gupta, 2008) and are considerably smaller in size usually more than 3,000 sq ft. and more than 30,000 SKUs compared to hypermarkets (Rappaport, 2004). The supermarkets focus on specific product categories and offer relatively good assortments (yadav, 2012). They do not play the game on price but depend on convenience and service to attract the consumers (Piyush Kumar Sinha S. G., 2012).

In reference to the above researchers, the study defined supermarket as;

*“The formats designed to meet the needs for food stuff and everyday commodity. The selling area ranges in between 400sq.m to 2500sq.m.They are low cost, low margin, high volume, and provide self-service operations”.*

## **Hypermarket**

Hypermarkets have emerged in India as the biggest crowd pullers. They are very large in size; carry grocery, hardware, appliances and other general merchandise, with self-service facilities. They are usually located in warehouse type structures with large parking facilities (Sajal Gupta, 2008).They offer the most Extensive merchandise mix, product and brand choices under one roof (Azeem, 2012), create superior Value (Mathew joseph, 2008)and lower prices.

In conformity with various literatures, we have considered the following type of format as hypermarkets.

*“A retail store which combines supermarket, discount and warehouse retailing principles, and offer food and non-food products like clothes,*

*jewellery, hardware, books etc. With at least 35% of selling space devoted to non-grocery products.”*

### **Shopping mall**

According to (Sajal Gupta, 2008) “*shopping mall is an arrangement of retail stores wherein the retail space is shared by the anchor store and other retailers and providing the right mix of shopping, food court and entertainment*”. For the present study the researcher has adopted this definition.

### **Perception**

Leon G Schiffman L.L., (2012) defined Perception “as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. It can be described as “how we see the world around us.” (Del L Hawkins D. L., 2014) defines perception as that which consists of those activities by which an individual acquires and assigns meaning to stimuli.

In the study context, the researcher operationalizes;

*“Perception is a process by which individuals select, organize and interprets information inputs (stimuli) into a meaningful way, the information processing will vary from person to person as it is highly influenced by situational, individual and stimulus factors”.*

### **Customer and Consumer**

Customer is the purchaser and consumer is the user of the product. The present study used both these terms interchangeably.

### **Perception management**

Halderen (2008) states that perception management deals with different informative signals and strategies that affect the perception of stakeholders and how these perceptions affect their behavioural reactions. From this core idea and review of many other literature (Dearth, 2002 ), (Elsbach, 2003), (Jones, 1999) etc., the study operationalize perception management as;

*“Management of perception through planning, implementing and controlling of various informative signals and strategies so as to influence the target market perception as desired by the marketer.”*

## **Commitment**

Marketing scholars and practitioners recognize that customer commitment is a complex, multidimensional construct in the services marketing literature. Commitment is narrowly conceptualized as an identification- and attachment-oriented force that links the customer to the organization (Morgan and Hunt 1994). The three components of the models formulated by Allen and Meyer (1990) are continuance, normative, and affective. The continuance component of commitment refers to the employees' perception of the cost of leaving the organization as opposed to the benefits of remaining. The affective component operates when employees are loyal because they want to be. The person who has a strong normative commitment feels that one should continue the relationship as a part of moral or duty-related reasons.

In marketing relationships, the researcher operationalize continuance commitment as” *a consumer is likely to be committed to a relationship, if he or she faces concrete switching costs or if the benefits that he or she receives from the retailer are not easily replaceable from other retailer.*”

*“Affective commitment arises from feelings of attachment and identification with the retailer.”*

The normative commitment is defined as *“The consumer obliged to a retailer due to some personal or retail service related matters”*.

## **Loyalty**

Customer loyalty ha two dimensions and the researcher defines these as;

*Behavioural loyalty is “loyalty of the customer as observed from the customers purchase behavior expressed through purchase frequency (Cunningham, 1968), repeat purchase behaviour (Brown 1958) etc.*

*“Attitudinal loyalty is the higher order, long term commitment of customer that cannot be inferred by mere observation of purchase behaviour (Shankar, Smith & Ramaswamy 2000) , but the customer’s psychological tendency to evaluate and express with regard to an entity as favourable or unfavourable (Del L Hawkins D. L., 2014).”*

### **Limitations of the Study**

Social science research is always subject to some inherent limitations. This study is also not completely free from it. The following limitations of the present study are worth mentioning:

1. Respondents had to recall their memory while answering some of the questions in the schedule relating to their before visit perception of organized outlets. So there is a chance of recall error despite the efforts of the researcher to collect the data in the most accurate way.
2. Organised retail consumers visit the store for different purposes, so collecting required data from this varied groups are tiresome. They have to spend more time with researcher for sharing information; some respondents are reluctant to answer.
3. The study was on different categories of products and the researcher did not undertake a microanalysis on specific products or variants.
4. There may be personality variables or situational factors that are not included in the study that may have a significant influence on consumption.
5. The respondents of the study include only consumers who visited the store at the time of survey. Other organized consumers were excluded from the study.
6. All the limitations of multi stage sampling technique and random sampling technique will be there.

However, efforts have been taken by the researcher to minimize the effect of the limitation affecting the findings.

## **Chapterisation**

The whole study is structured in seven chapters.

### **Chapter 1-Introduction**

The introductory chapter highlights the importance of retail evolution, retailing and marketing and retailing and consumer behaviour. It also outlines the scope, objectives, hypotheses, sampling design, procedure of data collection, variables used for the study, tools of data analysis and limitations of the study.

### **Chapter 2-Review of literature**

Chapter 2 contains a review of the literature relating to the factors responsible for organized retail growth, and stimulus organism response model. This chapter also reviews other related theories of organised retailing.

### **Chapter 3–An overview of Indian Retail Sector**

This chapter provides the theoretical background of global retail scene, Indian retail, and drivers of Indian retail.

### **Chapter 4 –Perception Management**

This chapter deals with the theoretical background of perception process, management process, models of perception management.

### **Chapter 5- Data Analysis and Interpretation**

Chapter five deals with a brief account of the profile of the sample units followed by analysis and interpretation, and validation of the model.

### **Chapter 6- Data analysis and interpretation**

Chapter six deals with analysis relating to shopper characteristics and evaluations on loyalty and

### **Chapter 7-Summary, Findings and Conclusion**

The last chapter, summarizes the whole study, lists the findings and offers a few suggestions.



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CHAPTER II

# LITERATURE REVIEW

## INTRODUCTION

The purpose of this chapter is to review and consolidate theoretical and empirical research works in literature in the area connected with retailing and consumer behaviour. The research works already done in this area is compiled and segregated on the basis of its importance.

A considerable number of studies have been conducted on retailing. Some researchers studied the impact of organized retail on unorganized retail sector, while some others attributed their study to consumer perception and the attitude towards the organized retailers. Organized retailing is in its nascent stage and the trends are just setting in. The Indian consumers are in the process of grooming. They are yet to witness the full size operations of the organized sector as being practiced in many developed countries. At this juncture, the perspective of the current research is to analyze whether the perceptions of the consumers are oriented towards these market dynamics and adore the organized retail culture. The study also analyse the reason for the same. The consumers are in the transformation stage, so the role of organised retails in shaping the perception of the consumers favourably towards them by the process of perception management also is another perspective deals with.

The review of literature in related fields of research help us to acquaint with the available works in this area, which in turn will eliminate the duplication of research and provide valuable information of the variables to be studied and various research techniques used. In this chapter a detailed review of available literature on the topic is made. The chapter is structured into **three sections such as**

1. **Factors responsible for retail growth.**
- 2) **SOR (Stimulus-Organism-Response) mechanism in retailing**
  - (I) **Stimuli provided by the organised retailers**
  - (II) **Organism process in the mind of consumers**
    - (a) **Perception and its management**
    - (b) **Emotions**
  - (III) **Response**
    - (a) **Behavioural intentions**

Those studies which are not related to the above sections categorize as

- 3) **Other related studies.**

### **Factors Responsible for Retail growth**

**Mukherjee (2010)** carried out a study to explore the determinants behind the retail growth in West Bengal and demography wise preference of consumers towards both organized and unorganized retailing and role of promotion in motivating customers in retail scenario. The findings of the study mention that garments and luxurious items like entertainment, home décor and electronic items are the determinant objects in the growth of organized retail market. The demographic variables like age group and income group of customers contribute to the retail market development. The customer satisfaction level varies with different value added services provided by the organized and the unorganized retailers.

**Shah (2015)** has identified problems faced by the organized retailers in India and he tries to develop a framework for analyzing the problems of organized retail in India. The in-depth investigation of the consumer's preference and behavioural dimensions revealed that consumer's preference towards retail format is dependent on shopping oriented temporal aspects, store attributes and situational variables. The



research output recommends localization as a marketing reality instead of globalization.

**Mouha Banerjee (2015)** examines the possibility of the integration of Business Intelligence with Supply Chain Management to enhance competitive advantage. The study conducted on an Indian retailer operating in specific zones of the country reveals the strong and significant relation between SCM and competitive advantage and the sharing of information with the suppliers is perceived as an important dimension of SCM by the retail executives. The researcher's opinion is that at present the Indian retailers lack necessary IT infrastructure platform with the channel partners for seamless flow of information. Moreover the fragmented information environment is not conducive to the implementation of BI.

**Suresh (2012)** found that the mall developers have not yet understood the need of segmentation, targeting and positioning of the malls. The study examined satisfaction concerned with five dimensions of mall positioning such as convenience, ambience, shopping experience, property management and entertainment and the results show that the consumer perception regarding the positioning of some of the malls is clear but they are confused to make a clear distinction between many other malls. There is a lack of clarity among mall developers regarding positioning and image. They focus on image building which is a combination of functional and psychological attributes like providing aesthetic design, range of retail outlets, good ambience, good security and so on. Apart from this, there is a lack of effort in developing a positioning strategy. The study states that, the lack of differentiation is the reason behind increasing retailer vacancy levels and reduced shopper footfall.

**Arpita Mukherjee (2011)** as part of ICRIER project analyzed the impact of the retail FDI policy on Indian consumers and based on the study made some policy recommendations to the Indian government. This paper examines consumers shopping behaviour across different product categories, knowledge of foreign brands and attitude towards liberalizing FDI in retails. The factors determining the choice of modern retail outlets were also examined. The result shows that the purchase of

brands varies across different product categories and they opine that both traditional and modern retailers can coexist in India. Consumer's knowledge and the use of foreign brands are also explored. Majority of the respondents are in favour of allowing FDI in multi brand retail. The study recommends that the government should allow FDI in multi brand retail which will enhance brand knowledge and choices.

**Bart Minton (2009)** found that almost 10000 farmers in the highlands of Madagascar produce vegetables for supermarkets in Europe; small farmers who participate in these contracts have high welfare, more income stability and shorter lean periods. He also found a significant effect by improved technology adoption, better resource management and spillover on the productivity of the staple crop rice. The contributions of this study challenge the view that global supply chains are a threat rather than an opportunity for the poorest farmers and countries.

**Vedamani (2009)** while exploring the commonalities and differences in strategies adopted by the organized apparel retailers in India and abroad found a few common trends and patterns in the evolution of organized retailers. While the average store size, numbers of stores per firm and volumes are already much larger in the firms abroad, the firms in India do not show a growth trend to achieve similar proportions. Customer acquisition, customer orientation and customer relationship trends are found to be common among both the firms abroad and those in India. The factors influencing the growth of apparel retail firms abroad and strategies vary largely from what we see in the firms in India. The study shows that the majority of the companies abroad adopt an "Expand by acquisition and mergers" strategy for expansion while in India the evolution of apparel retail firms is by organic growth.

**Werner reinarts (2011)** tries to explore the retailing innovations in the context of a globalizing retail environment against the back drop of various challenges faced by the globalizing retailers in distinctive national markets and broader aggregations of markets such as Mature, Emerging and Less developed markets. The study categorize the challenges as consumer based, industry based and legal based and also suggest how these challenges can be transformed into

opportunities with retailing innovations. The study opine that the emerging markets like India characterized by high consumer price sensitivity, wide income disparity, retailing innovations like tiered pricing structure that caters to various income segments will be successful in this market.

**Lina M.Fernadas (2012)** in a study on FDI in multibrand retail emphasized the significant improvement in India's GDP and overall economic development. The policy of multi-brand retail by the Indian government would bring improvements in rural infrastructure, technology, price for agricultural produce and employment opportunities. Further it will create more employment oppurtunities for skilled employees.

**Piyushkumar sinha S.G (2012)** in a study on the development and growth of modern retailing states that the functional efficiencies in the supply chain results in the low prices of products given to consumers. With the advent of modern retailing, the emerging markets have witnessed the functional efficiencies in the supply chain developments in the areas of technology transfer, enhanced quality levels of produce, products at competitive prices, better procurement practices and enhanced employment opportunities.

**Babanlal (2015)** in his study has basically tried to find out the satisfaction level of customers towards Big bazaar and the influencing factor that drives people to shop at Big bazaar. He found out that most of the customers are influenced by the offers and product variety in Big bazaar. In addition he found out that the customers shop more in the Food bazaar and Men's wear department in the Big bazaar.

**Sunita mall(2010)** in a study opines that even though organized retail is sector developing at a rapid pace it has to focus more on certain issues like reasonable price, frequent discount etc. The study reveals that most of the people prefer organized retail outlet due to its product quality and quality of service provided and better ambience. The look and location of the store do not affect the consumer but the income level of the consumers has an effect on their preferences.

**Ravi kiran(2011)** in another study tries to explore consumers attitude towards emerging retail formats and propose a framework for consumer's preferences towards emerging retail formats by taking into account demography, product type and product and store attributes of retailing. The result shows that food and groceries, health and beauty, apparel and jewellery and consumer durables are the fastest growing categories in organized retailing. The factors that contribute to retail growth in India are dynamics of demography, double income, urbanization and internet revolution. Convenience and variety are other attributes for preferring the organized retailing. Youth in the age group of 18-30 years are interested to visit organised retail outlets and prefer to visit hypermarkets and malls for hedonic perspectives.

**Vlachos(2014)** in a study opine that through implementation of RFID, retailers and their supplier have access to more accurate and more detailed knowledge of inventory, demand and supply history. Implementing RFID at the supplier warehouse and pallet level increases supplier performance.

**Alina (2011)** conceptualize retailing business model innovation as a change in current practices of one or more elements of the components namely, retailing format, activities and governance with a particular emphasis on interdependence among these components, thereby modifying the retailers organizing logic for value creation and appropriation. The study asserts that both internal and external drivers can lead a retailer to innovate on its business models. One potential internal driver is customer centric orientation and potential external drivers are changing customer value and technological development.

**Mathew joseph (2008)** carried out a study to assess the impact of organized retail on different sectors of the economy such as consumers, farmers, manufacturers and its effect on price and overall economic growth. The findings show that the overall decline rate in unorganized employment is nil and the adverse impact on sales and profit takes place only in initial periods of organized retail entry and then it weakens overtime. All income groups of consumers saved through organized retail purchase and its benefit is more to the people of low income group. Its effect on

intermediaries is slight decline in turnover and profit. Large manufacturers feel a competitive impact and they respond through building and reinforcing their brand strength.

### **SOR (Stimulus-Organism-Response) mechanism in retailing**

A study by **Mehrabian & Russell (1974)** was one of the first of its kind to be based on the stimulus-organic body-response (SOR) theory to construct the M-R environmental psychology model and explore the influence of the “buying environment” on customer purchases. The M-R environmental psychology model suggests that, when individuals face the external environment, there emerge two opposing behaviors: approach and avoidance. The “pleasure emotion” and “arousal emotion” induced by the environment can cause the customer to remain longer in the store and experience a greater buying impulse.

**Viera (2013)** result supports the generalizability of the result into S-O-R stages. In the retail field, research relies on the S–O–R paradigm to explain and present evidence pertaining to numerous environmental cues and their related effects on consumers' responses. The study provides a quantitative summary of the bivariate findings regarding the antecedents and the consequences of organism trait (i.e., emotions). The study here corroborates the generalizability of the results into S–O and O–R stages. The authors also confirm the emotions' dependency in the organism factor. The results show that the relationship between arousal and pleasure was significant and positive. Both emotions are responsible for much variation on hedonic and utilitarian motivation for shopping. Arousal-hedonic and pleasure-hedonic relationships have stronger effects from the 28 relationships, indicating that consumer emotions and recreational motivation for shopping are strongly associated.

**Azeem(2012)** through the traditional Stimulus-Organism-Response model tries to explore the consumer behaviour towards the organized retailer by employing Structural Equation Modeling. The SEM result conformed to the traditional SOR paradigm; that is the stimuli (store atmospheric elements) have an effect on the organism (direct effect on both cognitive and affective evaluation towards store),

which in turn influenced the response behaviour (store satisfaction and store loyalty).

**Jacoby (2012)** portrays the stimulus-organism-response model as overlapping circles forming a veinn diagram. It is presented as seven sectors; sector 1 consists of the environment as encountered by the individual at a particular point of time. This includes all external stimuli namely products, brands, packages and store environment. Sector 2 has been described as a realm where we subconsciously process incoming stimuli's, internally activated stimuli or both. Sector 3 is essentially the store house of the individual's emotive and cognitive systems, including all retained prior experiences, and is generally referred to as the long term memory. Sector 4 has been described as a realm where we consciously process stimuli incoming from both sources. Sector 5 contains those stimuli response connections that fail to register at a psychological level. Sector 6 contains those outcomes from sector 4 that are not directly visible to an outsider; Sector 7 consists of all those responses that are externally detectable.

### **Stimuli provided by organised retailers**

**Larson (2011)** tries to explore the extent to which different styling elements can be used within a retail store and how sensorial cues can affect customer's buying behaviour by creating a multi-sensory brand experience, in order to provide sound recommendations for marketers 'regarding sensory marketing in general and foremost the multi-sensory brand experience in particular. The result of the study shows that it is beneficial for marketers to use styling elements and sensorial cues as a means to connect with customers and enhance their emotional response. In addition the study found that a combination of the sensorial cues of sight and sound together contributes to an experience that is positive and memorable for the customers.

**Dhruv Grewal (1994)** studied about how specific elements in the store environment influence consumer inference about merchandise and service quality and discuss the extent to which these factors mediate the influence of store environment on store image. He tries to evaluate how consumers perceive different

store environment as prestige or discount depending upon the presence of various environmental factors.

**Eric R Spangenberg (1996)** finds that subjects in the scented environment perceived that they spent less time in the store than they spent in the non-scent condition. Subjects in the non-scent condition are perceived to be spending significantly more time in the store than they actually did. They also opine that ambient scent may lead to an enhanced subjective experience for retail shoppers; the time consumers spend examining merchandise, waiting in lines or waiting for help may be made to seem shorter.

**Juping Ho (2010)** focused his study on Swedish market by selecting three popular multi-brand stores that are normally located in the same area near by each other or in the same shopping Centre. The scale of the store, the number of brands and the quantities of the products are pretty similar and the difference is only in the store environment. The study tries to evaluate how multi-brand fashion retail stores base their marketing strategy to determine their physical environment merchandising display and space layout as well as how consumers perceive the store image and generate their attitude and knowledge that eventually will dictate and influence their behavior. MQ, JC and CARLINGS are the typical and most popular multi brand fashion retail stores in Sweden. The observation in these three stores along with customer interviews, the results have demonstrated that the marketing oriented physical store environment by means of interior and exterior visual merchandising will affect the consumer's attitude both positively and negatively.

**Janjaapan semeijin (2004)** investigates the effects of store image factors and perceived risk associated with product attributes on consumer evaluations of store branded products. The study states that, developing, nourishing and sustaining a store image can create opportunities to achieve differentiation. This will help to sell store brands profitably. The study suggested that retailers should focus on store image aspects related to store environment, merchandise quality and value and customer services.

**Riteshkumar Dalwadi (2010)** found that consumers perceive store layout, product pricing and store ambience as good at modern outlets. The study suggests that the main factors that retailers need to focus are courteous staff, customer attention, offers and discount, comfort and elegance in order to serve the customers better.

**Souk (2009)** identified three factors related to atmosphere. “Convenience” as one factor and takes as indicators convenient shopping hours, easy to find, convenience of store location, pleasant dressing rooms. “Physical atmosphere” the second factor having items loaded are nice window display, attractiveness of store layout, nice product display in the store and music played at the stores. Customer services, Salesperson’s assistance, Store reputation/store image and Flexible return policies are named as the “Customer service” factor.

**Barry J Babin (2003)** suggests that the store color is an important element in understanding patronage behaviour. However the relationship between color and purchase intention is not simple but depend considerably on other moderating and mediating factors. The study shows that blue is generally a ‘safe’ colour scheme producing few negative reactions. It also suggests that the colours that appear detrimental to retail performance like orange may produce positive results if other atmospheric elements are altered in combination with them. This view suggests that consumers do process atmospheric characteristics holistically more than piecemeal.

**Das (2014)** examines the factors that influence Indian consumer’s attitude towards retailers. Results of the study reveals that self-congruity, retail awareness, retail association and retail perceived quality has a positive influence on the attitude towards the retailers. In addition attitude towards retailers positively influence purchase intentions.

The study classifies the store environmental elements into three groups by placing music and lighting as ambient factors, colour, display, layout and organization of merchandise as design factors and number of sales person, greeting by sales person and sales persons dress as social variables. The result shows that the ambient factors affect merchandise and service quality inferences and the design



factors do not influence either merchandise quality or service quality inferences and the prestige social environment enhances subject's inference of merchandise quality. The study found out that merchandise and service quality inferences mediate the effect of two store environmental factors (ambient & social) on subject's store image.

**Edward J Fox (2001)** defined three sets of variables retailer marketing policies, pricing, promotion and product assortment to predict expenditure across stores. The analysis addresses how factors within and outside the retailer's control affect store level shopping behaviour decisions. The study found that shopping and spending vary much more across than within formats, and that the retailer's marketing mix explains more variation in shopping behaviour than travel time. Of the marketing mix variables considered the study found that expenditures respond more to varying levels of assortment and promotion than price.

**Deepika Jhamp (2012)** makes an attempt to understand the relationship between the choice of retail formats based on product attributes, store attributes, consumer demography and retail marketing strategies. The outcome of the study is that consumer's choice for modern retail formats vary as their income levels increases. Improved quality, variety of brands, assortment of merchandise and store attributes will attract the consumers towards the organized store. The retention strategies, promotional strategies, growth and improvement strategies, pricing and competitive strategies are the major contributors for the growth of organized retailing.

**Arun Singh Lather (2006)** observed that majority of the customers do not look at pricing alone. They are looking for a sense of belonging, a brand of quality and innovation that they can trust. Further among the different indicators, sales staff is the most preferred criteria for customers to choose among different stores. The study also examined alternatives to discounts when negative quality inferences were likely to occur and it was formed that free gifts were effective in increasing sales and market share. The result also suggests that retailers are able to attract more shoppers through window display and other proper methods of presentation.

**Deep(2013)** examines the factors influencing store choice decision and explore the influence of demographics, occasion for buying and product class at the store on store choice decision variables. The researcher found that demographics play an important role while choosing a store and the shopper is very passionate about the facilities, convenience and store appearance but at the same time is very price sensitive and looks for a good bargain. Beyond this, consumers behave differently while making store choice decision related to different product categories.

**Ronald E Goldsmith (2010)** investigates consumer's attitude towards private label brands with the goal of understanding their appeal in order to enhance efforts to convince more consumers to buy them. The study was conducted among three product categories like orange juice, cereal and bottled water. The result shows that, although a few demographic characteristics distinguished private brand buyers, these were not consistent across product categories. In addition, national brand buyers saw some of the national brands to be more relevant to their lifestyles and needs but the private label buyers saw the private labels the same way. Private label users are more price sensitive and see private labels as high quality products. This information can be used for consumer advocates to persuade consumers for using private label products.

According to **Shokathalavi (2010)** major features of supermarket that influence the customers and make it a place of attraction are price advantage, quality, pop display, ambience, variety of product and also the layout of the store that determines the bond between the customer and the retailer. He opines that there is a continuous and significant change in the approach of the consumers towards organized retail, from curiosity to attraction and from attraction to action. The study suggest to managers of supermarkets to adopt rational promotional programs and suitable loyalty programs in order to sustain challenges of competition and enhance performance.

**Thomas reardone (2010)** in a detailed case study examined pricing practices by modern retailers in developing countries and to identify the shopper

profile especially in its initial stages of diffusion. The important findings of the study are modern retail in Delhi is growing very fast, offering more labeled and branded food products and more choices than traditional markets. The study further reveals that modern retail at its mere incipience in India sells basic foods mostly at the same or lower prices than the traditional retail and might thus become an important contributor to improved food security. However, they needed more improved technologies to deliver quality products and there might be significant benefits from more exposure to such technologies, possibly through increased FDI in this area.

**R Chithra(2013)** in a study tries to understand the conceptual framework of the retail store attributes, Staff attributes and customer's shopping behaviour among the customers of retail store in Coimbatore. The researcher observed that among the store attributes the influence of retail staff is the highest. Accordingly, the study suggests the marketers to develop a better understanding of the dimensions of consumer's heterogeneity in the realm of salesperson orientation so they can better manage the customer-salesperson interaction.

### **Perception and its Management**

The phrase "perception management" has often functioned as a euphemism for "an aspect of information warfare." A scholar in the field notes a distinction between "perception management" and public diplomacy, which "does not, as a rule, involve falsehood and deception, whereas these are important ingredients of perception management; the purpose is to get the other side to believe what one wishes it to believe, *whatever* the truth may be." The phrase "perception management" is filtering into common use as a synonym for "persuasion." Public relations firms now offer "perception management" as one of their services. Similarly, public officials who are being accused of shading the truth are now frequently charged with engaging in "perception management" when disseminating information to media or to the general public.

Although perception management operations are typically carried out within the international arena between governments, and between governments and

citizens, use of perception management techniques have become part of mainstream information management systems in many ways that do not concern military campaigns or government relations with citizenry. Businesses may even contract with other businesses to conduct perception management for them, or they may conduct it in-house with their public relations staff. The best medium for businesses to affect the perceptions of the public is through marketing. To get people to buy products, marketers must identify a *need* and manage the perception of the public so that they feel the product will fulfill that need.

**Rao (2009)** conducted a study aimed at knowing the perceptions of Indian consumers. The crux of the study revolves around the variables that have an influence in the mind of the consumers and what they feel about the organized retail activities and their views in general about retailing. The findings indicate that younger generations do accept the shopping malls more and major patrons of malls are high income group consumers, professionals and businessman. The specialty mall consumers are highly brand conscious than general category malls and consumers perceive common meeting points and hangout zones as one of the main attraction to visit a mall and they have negative perception with regard to clarity of information concerning new product entry and discount schemes. The study recommends to organized retailers that to be competitive and more attractive in the market place they should introduce new products on a continual basis, making discount schemes on selected niche products and offer innovative and rare products.

**Halderen (2008)** studied how the organizations can effectively express their organizational identity in order to manage positive perceptions and subsequent behavioural intention among the stake holders. This study takes an inductive research approach and extensively studies the organizational expressions of six large oil companies in order to identify specific principles along which these companies express their organizational identity. Based on the insights of this qualitative study, a model was developed describing four principles along which organizational expressions can be orchestrated in order to manage favorable perceptions and behavioral reactions among stakeholders. Then the study deductively tested the

developed model by conducting an experiment to evaluate the degree to which and how the four identified principles influence stakeholders' perceptions of and responses toward companies.

The study has been undertaken among the potential investors, applicants and customers in the oil industry. It shows that, while managers seem to orchestrate their organizational identity along four expressiveness principles such as distinctiveness, consistency, sincerity and transparency, stakeholders seem to perceive them as mainly three separate aspects of a firm's organizational expressions. The findings from study suggest that managers make a managerial distinction between transparent and sincere expressions, while the stakeholders view transparency and sincerity as one characteristic of a firm's expressions. In this dissertation, the combined construct is labeled as 'sincerity'. Stakeholders' perceptions of and subsequent intentions to buy from, invest in or work for a firm are most profoundly impacted by how sincere they perceive the organizational identity expressions of a company, although their perceptions of consistency also have a strong influence. Perceptions of distinctiveness seem to play the least important role in forming their perceptions of and behavioral reactions toward a company.

**Stupak (2001)** suggests that, to properly sequence perceptions in the academic, small liberal arts college arena, parents and students must immediately recognize that they can and are receiving quality outcomes at reasonable cost in a caring environment. This can only be accomplished with a well thought out, systematic, gripping, real team oriented approach to perception management. The college must develop, design and drive a perception management approach that compliments its culture, size, mission, vision and authority structure as well as its educational goals, academic objectives and intellectual dreams.

**Timothy B Kellison (2012)** in their study, organizational perception management is proposed to obtain favourable referenda outcomes for professional sport organizations. The desired voting outcomes framework is presented; illustrating that effective organizational perception management can interrupt anticipated no-voters decision making processes, leading to a reconsideration of

voter's judgments. The desired voting outcome framework is elucidated using four components of organizational perception management like perceptions, symbolic actions, spokespersons and audiences as a guide. Perception includes perceptions of organizational images, reputations and identities. Four primary forms of symbolic actions –verbal accounts, categorization or labeling, symbolic business behaviours and the use of physical markers- are employed by organizations to manage perceptions. The third component organizational spokesperson conveys symbolic actions to organizational audiences. The fourth component, external audience groups include the general public, customers, competitors and activists.

**Brockelman (2003)** explores how positive self-perception and negotiation strategies are adopted by disabled persons to reduce negative perception of others about their disabilities. Findings reveal that, self-perception as well as perception of others does not appear to be linear or sequential. Two distinct themes emerged from the data. The first describes how participants viewed themselves and their own disability and the second relates to how students managed other's perceptions of them and their disability. The participants in this study expressed a number of concerns about the perceptions of others. Analysis reveals that perception management is a sophisticated strategy used to minimize negative consequences while assessing appropriate accommodations.

**Ondercin (1974)** designed a study to assess the effects of different types of stimuli on the visually evoked response and its relationship with intelligence. Four stimulus conditions such as flash, check board, word and nonsense syllable were used. It was found out that the highest and the largest significant correlation with intelligence occurred under the flash condition and the fewest under the word. The result suggests that the ongoing cognitive processes as well as underlying neural organizations are reflected in the VER. The relationship of attention and arousal to the correlations between the VER measures and intelligence was discussed in terms of different stimuli condition and intelligence test.

**Elsbach's (2003)** organizational perception management is designed to influence the perception of the organization as an entity. Such perceptions include

organizational images, current perceptions of legitimacy or trustworthiness, reputations and identities. This research compares these three perceptions along four dimensions of organizations like primary perceivers, defining categorization, their typical endurance and specificity. This paper identifies both internal and external audience of organizational perception management and findings suggest that organizational perception management involves a consideration of unique strategic issues. The key to successful organizational perception management starts with recognizing how different types of triggering events focus audience attention on specific forms of organizational perceptions and specific strategic issues (i.e., coping with audience conflicts, co-ordinating multiple spokespersons).

**According to Dearth (2002)** the broadest sense perception management is about “shaping the information environment”. Psychological operations and deception might aid in shaping the concept of information environment. It is not always easy to accomplish, but the concept is well understood by allied commanders and staff. In shaping the information space one must have convincing or at least sufficient political, economic and military power so as to command attention. The softer elements of power like psychological operations, public affairs, political persuasion through public diplomacy, deception and covert operations will play a paramount role. Perception management mechanism, in order to be effective, need to be applied synergistically and as appropriate with each other and with more tangible political, economic and military elements of power in order to magnify the effects of each and to satisfy strategic, operational and tactical objectives and purpose.

**Taylor (2002)** tells about propaganda. It is a process of persuasion designed to benefit its originator. It is any information, idea, doctrines or special appeals disseminated to influence the opinion, emotions, attitude or behaviour of any specified group in order to benefit the sponsor either directly or indirectly. It therefore remains a value neutral process; whether it is in fact a good or bad thing would more profitably be examined by reference to the intentions of those originating the messages.

**Garfield (2002)** opines that perception management has only recently been adopted as a post-cold war term variously used to describe a range of activities including military deception, psychological warfare (PSYOPS) propaganda, media generation and public information. It is generally viewed as one of the key elements of the relatively new concept of information warfare operations, along with other activities such as computer network attack and information insurance.

**E Ronnie M Johansson (2003)** view perception management activities include reasoning about information request for underlying mission and situation, ranking the importance of them, realtime distribution and adoption of perception tasks through co-operation or negotiation among decision agents. Further it also includes management of other data acquisition resources, proactive deployment and planning of resources according to predicted situation tendency.

**Eric C Anderson (2009)** addresses the main issues highlighting china's cultural inclination to deception based on examples from history and the structural process the Chinese used to target the perception of the foreign observers in peacetime and of the enemy commanders in wartime. In the Chinese perspectives, strategic deception, stratagem and perception management target the human intellect, seeking to exploit psychological predispositions and influence foreign analysis and decision making, whether these activities occur on the high tech battlefield, intelligence agencies or at the highest levels of government. Shaping or manipulating these elite perceptions can provide china a competitive advantage in the struggle among global powers to further their objectives. The study opines, deception techniques used to gain victory initially display some weakness to the enemy and only afterwards do battle and stratagem as innovative schemes or manipulative strategies often employ deception to lead the target to do as the originator of the stratagem desires.

**Pounds (1988)** suggest that perception management approach can be used along with traditional operational management tool to provide consistent high quality services to their customers. As part of redesigning the ATM lobby, the study is concerned with how customers would perceive the new service delivery system



and offer some methods to improve these perceptions within the operational constraints of the system and suggest some perception management solutions in order to improve consumer's experience with new lobby. The most compelling of these are: installing televisions above the ATM's to distract customers in line, installing mirrors to allow the customers entering to view and compare all the queues at a glance, designing customer flows to the minimum interaction by placing cash machine closer to the entry. These recommendations all could improve the perceived and actual functioning of the new lobby.

**Martemuni (2007)** paper attempts to probe the use of informational element of power at the time of conflict in the U.S government. It is possible to have inter-agency coordination, clear strategic direction and integrated and effective perception management operations in support of a larger, unified perception management campaign.

**Dermer (1972)** tries to determine the role of an individual's intolerance of ambiguity in the amount and type of information he perceives to be important in performing his job. Ambiguity is defined as an uncertainty in meaning and situations which are completely new give rise to many new cues, or which causes contradictory cues that are categorized as ambiguous situations. The study found that individuals intolerant of ambiguity indicate a preference for more information and information for which more certainty can be attached than their ambiguity tolerant colleagues.

**Palmer (2004)** seeks to evaluate the dynamic process of interactive organizational stakeholder relationships and the directions and magnitude of the gap. This model focuses on the relationship audit that provides a relationship between an organization and all of its customers/stakeholders which involves the concept of expectations and perceptions in relation to the performance. A positive performance gap indicates that the organization may lead the stakeholders by raising the importance of the issue to them; a negative gap indicates that either more resources should be allocated to help to meet the stakeholder expectations or stakeholder's expectations should be lowered. Stakeholder relationship index is used to indicate all

information as an aggregate assessment of the relationship between an organization and its stakeholders and is derived from a combination of importance and performance ratings.

**Peter L Block and Marsha (1983)** defined browsing as the examination of the stores merchandise for recreational or informational purpose without a current intention to buy. The result indicated that the relevance of browsing category reflect through word of mouth advertising and impulse purchasing. The researchers suggest that consumer's propensity to browse is subject to product category and store influences.

**Kristina 2 Backstorm (2006)** investigates the substance of arguments about an experience-oriented economy and experience-seeking consumption in retailing. The study employs a case study research approach and the Critical Incident Technique. The researchers show how retailers as well as consumers relate to in-store experiences. The results point out that retailers' use ever more advanced techniques in order to create compelling in-store experiences to their consumers. In contrast, the depiction given by consumers reveals that their in-store experiences to a large extent are constituted by traditional values such as the behavior of the personnel, a satisfactory selection of products and a layout that facilitates the store visit.

**Wilson's (2012)** study is based on some important service gap practices as identified in various past researches namely, expectations of the customers, right services design and standards, and matching performance to promise, etc. It is identified that there exist the difference between the service expected by customers and the service they actually receive. Further they identified that some retail outlets do not have proper service design.

## **Emotions**

**Backley (1987) states** that both affective and cognitive components relate with store atmosphere. The affective components are pleasure, arousal and dominance. Cognitive component is the information rate (novelty, variety, density

and size).The result reveals that concrete stimuli of colour, music and crowding influence the affective dimensions and displays signs have an influence on cognitive dimensions.

**Soocheong Jang (2009)** examines the way in which emotions mediate between perceived quality and consumer behavioural intention. The mediating effect demonstrates how consumer perception of atmosphere and the service affects his or her behavioural intention via the creation of positive emotions. The result also empirically supports that emotions have a strong positive indirect effect than the direct effect from atmospherics or services on behavioural intentions.

According to **Nina Michael duo (2011)** store environmental cues and marketing stimulidifferentially affects emotions, as well as the two customer outcomes (satisfaction and loyalty). The study finds that while pleasure affects satisfaction, arousal does not and clarifies the mediating role of both arousal and pleasure in increasing customer satisfaction and loyalty. Pleasure assumes a central role in mediating the relationship between four of the five store choice cognitions (in store music, in store aroma, merchandise quality, service quality and marketing outcomes).Arousal, on the other hand, pays a mediating role only between two store related cognitions (in store music and price and marketing outcomes).

**Bellman's (2007)** study supports the validity of the existence of 2 levels of emotions which need to be measured in two different ways. Type 1 emotions (e1) are instinctive reactions that vary continuously and can be measured on continuous scales. There are basically two dimensions of type 1 emotions, pleasure (pleasantness-unpleasantness) and arousal. In contrast, type 2 emotions (e2) are extreme states of type 1 emotions that individuals have learned to associate with different cognitive appraisals and can apply binary approach of measurement.

**Fransesco Massara (2010)** evaluates the effects of matching or mismatching appraisals on the judgment of emotional dimensions of consumers in a virtual store environment. The study reinterprets arousal and dominance, the two dimensions of pad model as appraisal dimensions (affective expectations). Appraisals were manipulated by combining two goal conditions (goal specificity Vs goal ambiguity)

with two levels of store arousal (high Vs low) to produce four separate hypothetical states: hedonic fit(ambiguous goal and high arousal)utilitarian fit(specific goal and high arousal),rational control (ambiguous goal and low arousal) and emotional submissiveness(specific goal and high arousal).The results unveil when perceptual and cognitive appraisal matched (i.e., hedonic or utilitarian fit) participants judged pleasure to be significantly greater than when expectations mismatched(i.e., rational control or emotional submissiveness). The study underpins the role of affective expectations concerning arousal and dominance as a strong determinant of consumer predisposition towards the environment.

**Morris B Holbrook (1993)** examined the connection between emotional responses and listening receptivity to music. The study used the affect grid of Russell, Weiss and Mendelsohn to judge a set of musical stimuli as varying widely in pleasure and arousal. The result shows that log(tempo)strongly affect arousal, that is listening time follows a non-monotonic relation which peaks at intermediate levels of arousal and that these peaks shift from left to right as pleasure increases.

**Richard michon (2008)** investigate the moderating effects of ambient odors on shopper's emotions, perceptions about retail environment and perception about product quality under various levels of retail density. The context for the experiment is a real life field location in a community shopping mall. The pleasing ambient scents are hypothesized to positively moderate shopper's perception of their environment. The result shows that the relationship between ambient odors and mall perception adopted an inverted U shape. Ambient odors positively influence shopper's perceptions only under a medium density location.

**Astrid Kusumo Widagdo (2011)** found that positive emotional states affected the shopping response of customers as they felt comfortable in the store and spend more time by viewing the variety of products. Further the study also revealed that internal emotional states of employees were affected by the stimuli, which mean that a store atmosphere that was conducive to work contributed to the employee's ability to provide their maximum service.

**Nancy M Ridgway's (1990)** study reveals that arousal appears to play a somewhat more significant role than pleasure in determining the approach avoidance response. In addition, consumers experiencing high pleasure or high arousal do not differ significantly in their market patronage behaviors (dollars spent and chances of returning to the market).

**Ruth Belk Smith (1993)** suggests that the retailer can seek methods to enhance consumer moods in order to induce approach behavior, such as enjoying the shopping experience and the desire to return. In addition the store atmospherics such as design of building, aisle lay out, colours, scents and sounds can be manipulated to influence consumer mood.

**Attway (2000)** studied the impact of environmental influence on the share of customer a retailer acquires. The result suggests that the retail atmosphere can be a useful tool in building the relationship with customers and also indicate the important role of perceived shopping value in mediating the relationship. Overall, the positive impact of store atmosphere on purchase behaviour supports the retailers for investing valuable resources in the physical capital in the hope of altering consumer feelings.

### **Behavioural Intentions**

**Gounaris (2006)** investigates the role of trust and commitment on the behavioural intentions of the corporate clients of professional service providers. The role of service quality and of an integrated bonding strategy was also examined as trust antecedents. The findings would seem to suggest that trust and commitment are indeed two important notions that cause corporate clients to uphold a relationship with their providers. Furthermore, trust precedes the development of commitment and continuance commitment has significantly different effects on the behavioural intentions than affective commitment, which creates a favourable behavioural intention while continuance commitment has an opposite effect.

**Amber(1999)** extend the original work of Moorzman, Zaltman and Deshpandes by supporting the general hypotheses that long term relationships have

negative impact on service use, which dampens the impact of trust. The result reveals that neither opportunism/loss of objectivity nor rising expectations is a mediator between trust and relationship constructs.

**Robert W Palmatier(2000)** hypothesizes and tests the role of gratitude (both affective and behavioural aspects) as a missing mediator for the effects of relationship marketing on performance outcomes parallel to trust and commitment. They propose and empirically demonstrate that both affective and behavioural aspects of gratitude are important mechanisms for understanding how and why relationship marketing influences seller's performance.

**Robert N Stone (1999)** finds out that it is strategically sound to view all interactions with customers as relationships interactions. It is the intensity of the effort put into the relationship that should determine where the relationship falls on the relationship continuum.

**Heiner evanschitzky (2006)** explores the impacts of affective and continuance commitment on attitudinal and behavioural loyalty in a service context. Since affective commitment is more positive and governed by free choices and continuance commitment is more the result of perceived economic and psychological benefits of being in a relationship, the result of this study suggests that emotional bonds with customers provide a more enduring source of loyalty as compared to economic incentives and switching costs.

**Fullerton (2003)** demonstrates that committed customers are less likely to switch than consumers who lack commitment to the organization. Affective commitment would seem to be more powerful determinant of customer retention than continuance commitment. The result of the study shows the positive impact of affective commitment on customer citizenship behavior such as advocacy and also indicates that commitment has a positive effect on customer willingness to accept the increase in prices. The study recommends managers to adopt relationship management programs that build identification and shared values based on commitment and support is likely to be more effective than programs emphasizing bondage and switching cost.

**Hunt (1994)** explores ten forms of relationship marketing. They theorize that successful relationship marketing requires relationship commitment and trust as key mediating variables using data from automobile tire retailers. The result indicates that both commitment and trust are important for achieving co-operation. The parameter values suggest that trust has strongest effect.

**Rocereto (2007)** found that within the context of each store type, self-concept/brand image congruity has a greater impact on the mediating variables, trust and brand commitment. The results of the Gap model reveal that trust is a favourable outcome of self-concept/brand image congruity and trust mediates the self-concept/brand image and retail store loyalty relationships. It is highly probable that the consumer- brand linkage is more valued than the consumer- store image linkage. Further, the strength of the effects of each congruity variables was greatly diminished in a multi brand retail setting as compared to a brand-specific retail store settings.

**Mark S Johnson (1997)** using the structural equation analysis, analyse the relationship of satisfaction, trust and commitment to component satisfaction attitudes and future intentions of the customers of a New York off Broadway repertory theater company. For the low relational customers (individual ticket buyers and occasional subscribers), overall satisfaction is the primary mediating construct between the component attitudes and future intentions. For the high relational customers (consistent subscribers), trust and commitment, rather than satisfaction, are the mediators between component attitudes and purchase intentions.

**John P Meyer (2002)** conducted meta-analysis to assess the relations among affective, continuance and normative commitment to the organization. They find that the three forms of commitment are related yet distinguishable from one another. Further, all three forms of commitment related negatively to withdrawal cognition. Affective commitment had the strongest and most favorable correlations with organization relevant and employee relevant outcomes.

**Fullerton (2005)** found that affective commitment and continuance commitment are mainly partial mediators of the service quality-loyalty relationship.

In addition, affective commitment to the retailer has a positive impact on customer loyalty while continuance commitment in marketing relationship has a deteriorious effect on customer loyalty.

**Harvir S Bansal (2004)** studied the role of commitment in customers' intention to switch service provider. The findings unveil that the commitment to one's service provider can be desire based, cost based or obligation based. All three bases of commitment are negatively related to switching intentions. The relations between affective commitment and switching intentions are mediated by normative commitment (feelings that one ought to stay). Consumers may feel an obligation to stay with a service provider because of the positive experiences they have with that service provider.

**J M Labeage (2007)** examined the existence of store brand loyalty of Spanish consumers in the purchase of laundry detergent. The study suggests that store brands will help to obtain loyalty towards retailer. By leveraging this they can launch strategy of market segmentation and can introduce premium quality, high value added store brands targeting less price sensitive customers. Through this they can retain margin and increase loyalty and also strengthen retailers negotiating position vis-à-vis manufacturers.

According to **Jill Sweeny (2008)** indicates that the two experiential constructs brand credibility (representing trustworthiness and expertise) and satisfaction (Summarizing customer consumption experience overtime) influence loyalty and commitment (psychological attachment and desire to continue the relationship in the future).

**Cinely lombart (2008)** examines the impact of retailer personality on consumer's satisfaction and loyalty to the retailer. The study showed that four personality traits directly and positively influence satisfaction and attitude and also have an indirect positive influence via satisfaction on attitude and future behaviour intentions.



**Mittel (2013)** classifies the customers of organized retail outlets as loyal and non-loyal shoppers, based on demographic profile and shopper behaviour. He uses six predictor variables such as Price, Service, and Convenience, One stop shopping, Ambience and Sales personnel to predict store loyalty. The study found that housewives (homemakers) and retired individuals are likely to be store loyal. Shoppers with lesser incomes and lesser education levels are also likely to be store loyal. On the other hand, store non-loyals are most likely to be males across all age groups. They are generally self-employed or in service or students. Store non-loyals are also comparatively better educated and have higher income (more than Rs 20,000). They also spend less on groceries and make fewer trips to the market-place.

**Kirk L Wakefield (1998)** studies the relationship between three factors (tenant variety, mall environment and shopping involvement) on shopper's excitement and desire to stay at a mall. Results show that the three factors have differential influence on excitement and desire to stay.

**F Robert Dwyer (1998)** proposes a five phase model by which relationships are formed in buyer-seller exchange and also suggests three facets of managing buyer-seller relationships. Five general phases identified in the study are awareness, exploration, expansion, commitment and dissolution. Each phase represents a major transition in how parties regard one another. Awareness relates with feasible exchange relationships, exploration refers to search and trial phase, expansion phase enunciate continual increase in benefit obtained by exchange partners and commitment is an implicit or explicit pledge of relational continuity and the last phase indicates the possibility of withdrawal or disengagement. Disengagement is not a reversal of the process, it may be complex and costly and also a poor strategic marketing process.

**Robert W Palmatier's (2000)** hypothesized that the feelings of gratitude seems to be an important mediating mechanism that helps to drive relationship marketing outcomes, in addition to trust and commitment. The study reveals that the increased levels of gratitude boost judgment of trust, which implies an additional indirect effect of gratitude on purchase intentions through commitment.

**Frank (2000)** investigates consumer cognitions, affect and reported behaviour towards pioneer brands which is explained by consumer's favourable perceptions about pioneer brands. In addition a similarity is found between pioneer brand image and individual ideal self-image which suggests that an association or desire for consistency between the two may be another explanation for favourable attitude and positive purchase intentions towards pioneer brands.

**Amine (1998)** opines that brand commitment should be viewed as long run and persuades to achieve long run competitive advantage. The task of managing loyalty could be performed by turning communication efforts into cognitive or affective sources of brand commitment. Promotional efforts are likely to be used as a strategic tool to improve customer's commitment to the brand and therefore enhance their retention overtime for specialty or shopping goods which need extended decision processes.

**Bloemer (2002)** assess some disregarded antecedents of store satisfaction in terms of store image, positive affect and consumer relationship proness. Further the study focus on trust and commitment as mediators of satisfaction and loyalty. The research reveals that store image, positive affect and consumer relationship process proness do have a clear yet different impact on store satisfaction. They find that consumer's conception of pleasurable fulfillment of shopping experience is a pre requisite for trust and consumer's confident belief in retailer's honesty leads to commitment. Then the customer feels that he is a part of family. Being a respected stakeholder, consequently store loyalty will be expressed by word of mouth and price insensitivity. The result implies that commitment should be the ultimate goal.

**Tim Botger (2017)** introduces the concept of customer inspiration as a customer's temporary motivational state that facilitates the transition from the reception of a marketing-induced idea to the intrinsic pursuit of a consumption-related goal. The authors develop and validate ten-item customer inspiration scale that consists of two states (inspired-by and inspired-to states). Empirical results reveal sound psychometric properties of the scale, demonstrate its unique position in relation to established marketing constructs, and support experimental and predictive

validity. Applying the scale in marketing practice offers a new way for firms to increase demand, motivate customers' exploration behavior, and build customer loyalty.

**Subir Bandopadyay (2007)** unveils the fact that non-users may have strong positive attitudes towards the brands. They may not buy a given brand for several reasons such as non-availability of the brand in their market or lack of awareness of the brand. The researcher segments the customers into single user, multiple user and non-user categories. It also helps brand managers to devise segment specific marketing strategies.

**Barghavi (2011)** considered five SERVQUAL dimensions for the study influencing customer satisfaction and repurchase intentions. Further, the influence of dimensions of service quality on customer's loyalty is also assessed. The result reveals the influence of perceived quality of tangibles and perceived reliability dimensions of SERVQUAL on overall customer satisfaction and repurchases intentions of customers. Perceived responsiveness, assurance and empathy at retail outlet also shows positive influence on customers.

### **Other Related Studies**

**Braun, Hadwich and Bruhn (2017)** empirically examines variations of Customer Engagement (CE) types and their effects on important relationship outcomes, namely, product/service quality and customer retention. The study results indicate that the consequences of CE differ between the categories: CE object (product supplier and service provider); CE reason (firm driven, customer driven and third-party driven CE); and CE focus (value creation firm-focused, and interaction customer-focused CE). The findings make a substantive contribution to CE research, since ideas are provided about how firms can utilise different CE types to enhance product/service quality and customer retention.

**According to Ramachander (1988)** the aspects of consumer behaviour most relevant to marketing decision making may be broadly divided into three categories, such as the process of brand choice or decision making behaviour and so

on, the responses to marketing stimuli or effects of multiple forces of input such as advertising exposure, pricing, packaging and the interplay of variety of intervening variables such as perception, learning, memory, habit as well as cultural conditions.

**Vanessa Jackson (2011)** examines attitude towards mall attributes and shopping value across gender and generational cohort. The result shows that there is no difference in hedonic and utilitarian shopping values by generational cohort. However, there is a generational difference in attitude towards mall hygiene factors, locational convenience and entertainment features. The result also shows that females derive greater levels of hedonic shopping value from a trip to the mall and more positive attitude towards mall hygiene factors and entertainment options in comparison to males. No difference in utilitarian shopping value and attitude towards locational convenience are found between males and females.

**Shelja Jose Kuruvila (2010)** contributes to literature by evolving a typology of shoppers. The cluster analysis indicates the presence of mall enthusiast who is pro-mall in every way. The price conscious consumers who like the mall but not the prices. The traditionalist who are moderate mall visitors. The disinterested shoppers who are well off but not interested in malls and shopping. The aspirational shoppers who will tend to grow into mall enthusiasts if they gain higher disposable income. The student shoppers who are at present mostly window shoppers, and the experience shoppers who love the mall experience but are not very productive customers. The study suggests that using clear positioning strategies, malls can differentiate themselves.

According to **Sinha (2003)** on the basis of shopping orientation, consumers can be segregated as those who take it as an activity and would like to avoid it and those who find it as entertaining and are highly involved. The two segments of the Indian shoppers are found to be different in terms of the SEC, gender, and the value of the product bought. They found that the fun shoppers tended to visit the new format stores.

**Weitz (2006)** states that task oriented consumers view shopping primarily as a means for obtaining a needed outcome (Product, service or information) and wish to complete their shopping as efficiently as possible. Therefore task oriented

consumers find high arousal retail environments to be unpleasant. Conversely, recreational consumers derive inherent satisfaction from the shopping activity itself and therefore like high arousal retail environment that creates rich shopping experiences. He also suggest to the retailers that if customers are predominantly task oriented, they should use store designs with less standard colours and the stores should have a simple layout and merchandise presentation. He further adds that when customer's dominant motivational orientation varies in time, only the variable elements of store environment such as background music can be changed.

**Marion Garus (2015)** develops and empirically tests a conceptual framework comprising the relationship among the store environment, cognitive fit, retail shopper confusion and shopping values. This research provides a holistic view of how consumers perceive and process store environments, by advancing the classification of the store environment through environmental properties. The four environmental properties such as variety, complexity and conflict of ambient design and social factors constitute the confusion potential of store environment. The study found that cognitive fit directly influences hedonic shopping values. Retail shopper confusion mediates the relationship between cognitive fit and utilitarian shopping value.

**Editorial (2009)** understanding the complexities and dynamics of consumer's responses and behaviours is vital. Especially how consumers process information and how such processing affects search, product evaluations, behavioural intentions and choice. They opine currency of search (time v/s money) moderates the relationship between search cost and search benefit and willingness to search.

**Singh (2014)** states that assortment planning in a retail chain largely depends on the estimation of demand of various products under consideration. Knowledge of the true demand rates and substitution rates is important for the retailer for a variety of management decisions such as ideal assortment, how much items are to be stocked, and how often the stock should be replenished. The study checked the validity of the demand models viz., space elastic demand and multi nominal logit models. The result obtained from the work indicates that both the models are valid in

Indian context. However, the space elastic demand model is forecasting better than MNL model for both the product categories.

**Paul (2011)** tries to apply an explorative approach, investigating different dimensions of supply chain affecting the overall performance of retail organization from both retailer's and supplier's perspective. The study strongly put forward the findings to retail operation managers to relook their supplier-retailer integration process through effective implementation of information technology.

**Richard Parker (1997)** concludes that marketer who wishes to establish a relationship with consumer must first determine what cost a given consumer segment is most willing to incur and which functional activities he is desired to achieve. If consumers become more conscious of cost-benefit trade off, marketers must respond with innovative cost minimizing as well as benefit maximizing options.

**Harey's (2007)** study offers a relational framework to conceptualize the multitude of variables and empirically support it to demonstrate how customer commitment can be both built and maintained by the requisite convergence of economic and social resource drivers. The result suggests that, investing in resource drivers especially to building stronger corporate brand reputation and confidence benefits contribute more to customer commitment.

**Arnold (2000)** observes that customer loyalty to the sales person has strong and positive effects on the salesperson and store level outcomes of word of mouth, competitive resistance and share of purchases. By focusing on such relationships as well as ensuring qualified and satisfied salespeople, retail firms can benefit and better differentiate their offering in a highly competitive retail market place.

**K Douglas Hoffman (2002)** proposed and discovered that atmospherics increase the number of search attributes, facilitate service quality perceptions and decrease perceived risk prior to purchase. During consumption atmospherics can provide informational cues that assist consumers in selecting appropriate behavioural scripts facilitate the flow of service delivery process and play a critical

role in forming customer satisfaction evaluations by managing consumer expectations and perceptions.

**Levey (1973)** argues that buyer-seller relationship in market transaction is based on mutual benefit rather than conflictual. Sellers should attempt to minimize company policies and practices that create buyer frustration and limited supply situation and also preferred clientele situation should be avoided. Further they should learn to handle more effectively the growing sophistication and aggressiveness of buyers in pressing their claims. By the same way token buyers should learn to handle the growing sophistication of sellers effectively.

**Chech peng hin (2009)** indicates that satisfaction is determined by service expectation directly and indirectly via the mediation of service confirmation. Management should learn customer's customer database building. Management can identify customer's expectation and perceived service performance ultimately constructing loyalty.

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CHAPTER III

**AN OVERVIEW OF  
INDIAN RETAIL SECTOR**

After analyzing the academic work already done in the field, it is appropriate to provide a theoretical background about the study. This chapter is devoted for this. The present chapter provides an overview of Distribution management, unorganized and organized retailing, global retail, and retail in India, evolution of Indian organised retail, drivers of retail growth and FDI in retail.

We bought almost all things for household use such as food, clothes etc., from the retail stores. Goods manufactured at any place will be available globally, through these retail stores. In the distribution channel, they occupy a middle position that is why they are known as middlemen or intermediary. They receive goods from producers or wholesalers and pass it on to customers. So, before discussing about the retailing let us have a look at the flow of merchandise through these channels of distribution and the management of this distribution.

### **Distribution Management**

Distribution is a vital element of the marketing plan. It affects every other element of the marketing mix. The channel of distribution is very important to the producers and consumers. It brings maximum profit to all the institutions concerned. P. Drucker (1970) has rightly observed:

Both the market and distribution channel are often more crucial than the product. They are Primary, the product is secondary. A channel of distribution for a product is the route taken by the title of goods as they move from producer to the ultimate consumer or industrial user.

The American Marketing Association defines distribution channel as:

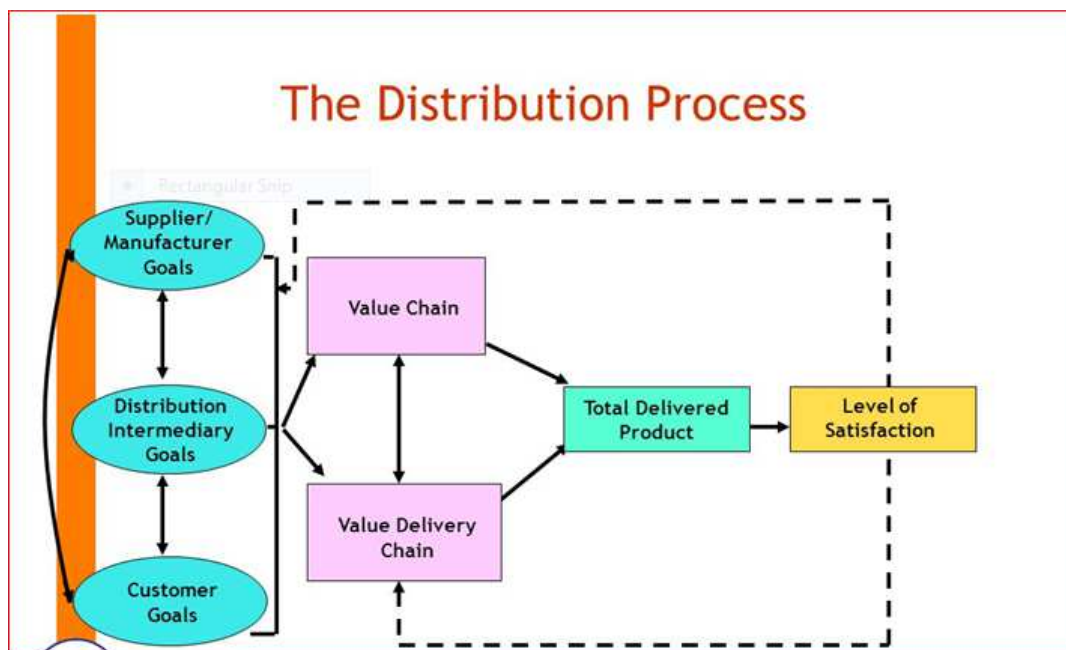
“The structure of intra-company organization units and extra company agents and dealers, wholesale and retail through which a commodity or service is marketed.”

The role of distribution channel management has gained wide-spread attention in both manufacturing and service organizations over the past twenty years. Faced with falling profit margins in an increasingly competitive environment, organizations looked at the distribution channel function as a principal source for reducing costs and raising return on their investment. Today distribution channels are still looked upon as a major source of potential cost reduction. However as organizations have realized that their ability to compete is highly dependent upon providing quality customer service, distribution channels have reached a new level of significance. Distribution channel management is a prime contributor to customer service through its impact upon corporate image, product availability, and price competitiveness (Rosenbloom, B 1999).

## Distribution process

The four stages of distribution process are depicted in the figure:

Figure 3.1: Distribution Process



**Goals** of various parties are considered as inputs to the value chain and value delivery chain.

**Value chain and value delivery chain** are parallel processes.

**Total delivered product** is the actual result of the value chain and value delivery chain.

**Level of satisfaction** is based on the perceived value received from the value chain and value delivery chain.

### **Importance of Physical Distribution**

The importance of physical distribution to a company can vary and is typically associated with the type of product and the role it has in customer satisfaction. Strategically staging products in locations, to support order shipments and coming up with a rapid and consistent manner to move the product. This enables companies to be successful in dynamic markets (Jeol & Berman, 2007). They perform some important functions to the producer.

### **Functions of Physical Distribution**

The key functions within the physical distribution system are:

*Figure 3.2: Functions of Physical Distribution*



**Some of the important functions of a good marketing channel are as follows:**

Marketing channels serve many functions including utility creation and facilitating exchange efficiencies.

Although some of these functions may be performed by a single channel member, most functions are accomplished through both independent and joint efforts of channel members. When managed effectively, the relationships among channel members can also form supply chains that benefit all members of the channel including the ultimate consumer.

**1) Information Provider:**

Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychography, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers look for. Since these middlemen are present in the market place and are close to the customer they can provide this information at no additional cost.

**2) Price Stability:**

Maintaining price stability in the market is another function a middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middlemen also contribute to price stability by keeping his overheads low.

**3) Promotion:**

Promoting the product/s in his territory is another function that the middlemen perform. Many of them design their own sales incentive programs, aimed at building customers traffic at the other outlets.

**4) Financing:**

Middlemen finance manufacturers' operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit as it has to be made even before the products are bought, consumed and paid for by the ultimate consumer.

**5) Title:**

Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and the middlemen. This also enables middlemen to be in physical possession of the goods which in turn enables them to meet customer demand at the very moment it arises.

**6) Help in Production Function:**

The producer can concentrate on the production function leaving the marketing problem to the middlemen who specialize in the profession. Their services can be best utilized for selling the product.

**7) Matching Demand and Supply:**

The chief function of intermediaries is to assemble the goods from many producers in such a manner that a customer can make purchases with ease. The goal of marketing is the match of segments of supply and demand.

**8) Pricing:**

In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and enquire what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.

## 9) **Standardizing Transactions:**

Standardizing transactions is one another function of marketing channels. Taking the example of the milk delivery system, the distribution is standardized throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect whether it is the price, quantity, method of payment or location of the product. By standardizing transactions, marketing channels automate most of the stages in the flow of the products from the manufacturer to the customers.

## 10) **Matching Buyers and Sellers:**

The most crucial activity of the marketing channel members is to match the needs of the buyers and the sellers. Normally, most sellers do not know where they can find potential buyers and similarly buyers do not know where they can meet potential sellers. From this perspective, the role of the marketing channel to match the buyers' and sellers' needs become very vital. For example, a painter of modern art may not know where he can reach his potential customers but an art dealer would surely know.

In addition, they perform the following functions.

- **Marketing research:** Distribution channels can play a vital role in the marketing research. Due to their closeness to the market, they generally have good insight into the characteristics and the needs of the customers.
- **Customer service:** Customer service includes delivery, credit, in office and in home purchases, training, warranties and return privileges. Again this service can be offered by one channel member or a combination of them.
- **Product planning:** Distribution intermediaries can contribute to product planning in many ways. They often provide advice on new and existing product.



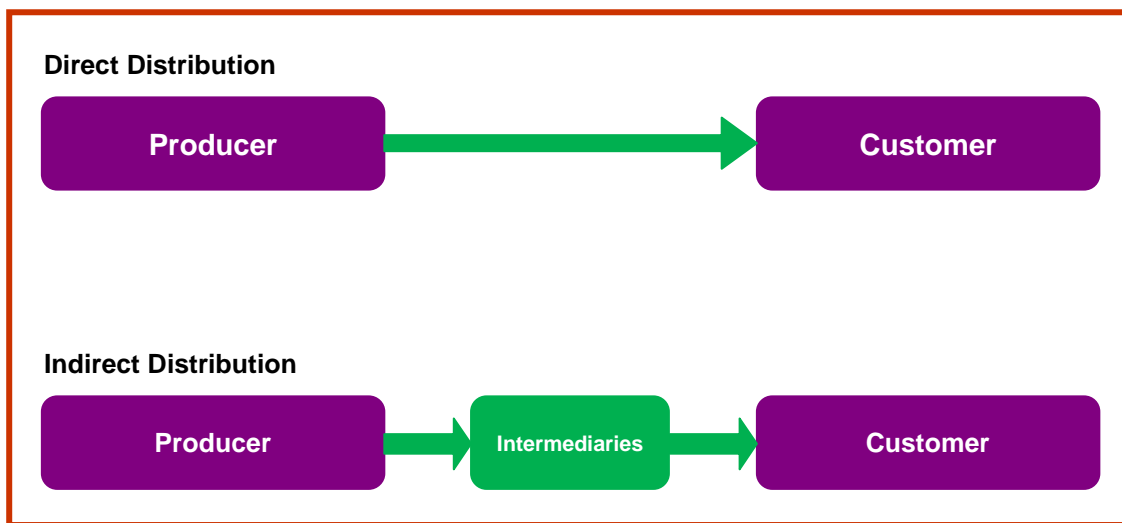
## **Types of Channels of Distribution**

The structure of a marketing channel describes the arrangement and linkage of its members. Two distribution systems are used to transfer the goods from the place of production to final consumers. These are:

- (1) Direct Distribution System
- (2) Indirect Distribution System

A direct channel of distribution involves the movement of goods and services from the producer to consumers without the use of independent intermediaries. An indirect channel of distribution involves the movement of goods and services from producer to independent intermediaries to consumers.

*Figure 3.3: Types of Distribution Channels*



### **Direct Distribution system**

The producer can sell directly to the customers without the help of the intermediaries. Some of the important examples of direct distribution channels are through opening retail shops, through mail order business, through traveling salesmen etc. Manufacturer itself works as the middlemen to transfer the goods to the consumer like own shops, Depo, Branches, Representatives Etc. Mainly these are divided into five parts:

**(a) Mail Order House**

The seller contacts the buyer through some form of advertising. The seller advertises his goods through the press and by sending leaflets, cards and catalogues giving all necessary particulars about the goods. Orders are received from the customers by post and the goods are dispatched usually by V.P.P. (Value Payable Post) or Registered Post. Delivery is made by the postal peon on payment of the amount due which is sent by the post office to the seller. Usually chemicals, patent medicines, footwear, jewellery, leather goods, watches, ready-made clothes, fountain pens, toilet goods, books etc. are sold by mail. Thus leading general mail order houses like Sears Roebuck and Co. Montgomery Ward & Co. and others (in the U.S.A.) were started after 1870.

**(b) Automatic Vending Machine Selling**

Automatic vending makes use of machines. Coin-operated, self-service machines make a wide assortment of products available, such as cigarettes, hosiery, insurance policies, hot food and beverages. Such machines as supply candy, chewing gum, soft drinks, and coffee are purchased in areas of heavy traffic, where such machines are installed near offices, service stations, hotels and shopping areas. Now in India such machines are being installed at important railway stations for issuing tickets. They eliminate the use of sales personnel and only a small space is needed for their installation. But they need frequent servicing and repair to keep vending machines functioning (Sherlekare, 1984).

**(c) Door-to-Door Selling:**

It means that either the producers or retailers sell directly to the consumers by visiting their homes. Such selling requires travel and personal contacts and substantial costs are involved in recruiting, maintaining and managing sales staff large enough to transact profitable business. Rugs, draperies, milk and dairy products, cosmetics, bakery products, household cleaning materials, housewares etc., are sold through these retailers.

**(d) By Telephone System:**

Direct system sells through telephone. This system is used specially in America. Under this method customers give the order by telephone to the producer who arranges for a home delivery and the customers pay the transport expenses. Under this method the consumers get the product in no time and have to pay an extra charge for transport.

**(e) Sale by Opening Retail Shops:**

Sometimes manufacturers establish their own retail stores to sell their products directly to the consumers. Manufacturers of perishable goods such as ice-cream and bakery products sell their products through their own retail shops because such goods must reach the consumers quickly. Manufacturers may sell directly to the consumers by establishing their own retail shops when they want to keep in touch with consumer's demands and fashion trends.

**Indirect Distribution System**

Indirect distribution system means distribution of goods through middlemen or intermediaries. The whole process of indirect channel of distribution:

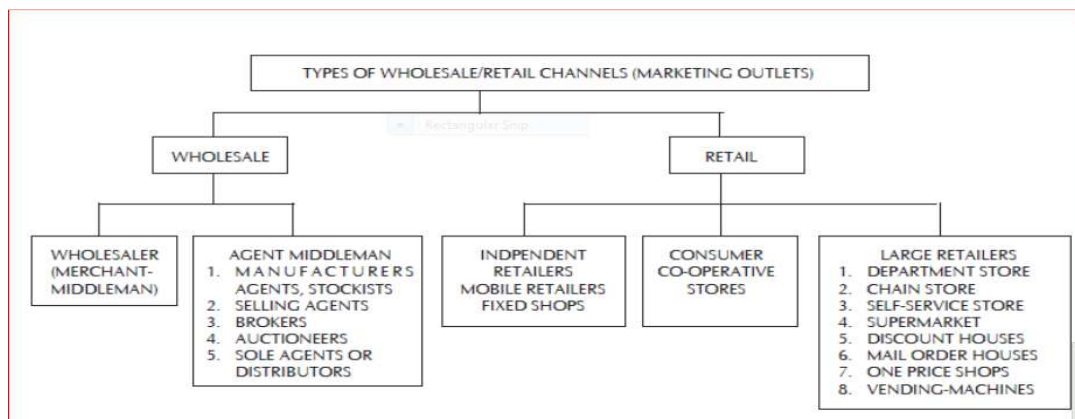
- 1) Producer ---Retailer----- Consumer
- 2) Producer ---Wholesaler ----Consumer
- 3) Producer ----Wholesaler--- Retailer---- Consumer
- 4) Producer ---Agent ----Middlemen--- Wholesaler ---Retailer--- Consumer

Marketing intermediaries or middlemen in the distribution network are indispensable because they perform specialized marketing functions such as buying, selling, transporting, warehousing, grading, sorting, financing, risk taking and dissemination of marketing intelligence. They serve as expert purchasing agents for their customers and expert sales specialists for their manufacturers.

## Wholesalers and their services

Wholesalers are individuals or business firms who sell products to be used primarily for resale or for industrial use. They offer typical services as middlemen between producers and retailers such as (1) maintenance of salesforce (2) storage (3) delivery to retailers (4) Financial help to both manufacturers and retailers (5) merchandising i.e., preparation for sale (packing, grading, branding etc) (6) sales, promotional work (7) branding etc.

Figure 3.4: Distribution Channel Members



## Retailer

A retailer is the last middleman in the machinery of distribution and he is responsible to satisfy recurrent wants of consumers.

Figure 3.5: Retailer roles in Distribution



According to Philip Kotler, “Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use”. Goods sold through any mode or at any place to the final consumer are retailing, irrespective of the fact that the goods or services are sold by person, mail, or internet or it is sold in a store, on the street or in the consumer’s home.

Retailing is the final stage in the distribution process in which the retailer as an intermediary collects an assortment of goods and services from various sources and offers them to the customers. It occupies a predominant position in the economics of all modern societies as it is often stated that the only thing which is constant in retailing is change and it is certainly true that the pace of development within retailing appears to be accelerating (Martineu, 1958). The traditional form of independently owned small business and cooperatives have lost significant market share.

Retailing accounts for 15 percent of India’s Gross Domestic Product, and one of the important pillars of economy. The Indian retail is positioned as fifth largest in the world. Indian retailing consists of both organized sector and unorganized retail sector. The unorganized sector constitute over 12 million retail outlets, which consists of local Kirana stores, Street stores, counter stores and Kiosks. These shops are generally with less than 500 sq. ft. space and not registered for tax and no professionalism in management.

The organized retailers are also operating in larger shop space like 500 sq.ft.or more. This consists of normally organized as departmental stores, specialty shops, shopping malls etc. These stores provide a better shopping ambience and offer a large variety of products in terms of quality, variety, discounted prices and offer all products under one roof.

### **Unorganized Retailing**

It 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. This sector constitutes about 88% of the total retail trade (Deloitte report 2018).

### **Unorganized retailers in Indian retail**

Barter is considered to be the oldest form of retail trade. Haats, Mandis and Melas have always been a part of the Indian landscape. They are still an essential part of life and trade in various areas and continue to be present in most parts of the country.

The first single largest retail chain existing in the country is the PDS or the Public Distribution System. Its origin is in the 'rationing' system introduced by the British during the World War II. The system was started in 1939 in Bombay, and gradually extended to other cities and towns. By the year 1946, as many as 771 cities/towns were covered. In post war period, the system was abolished. In 1950 India was forced to reintroduce it, due to renewed inflationary pressures in the economy.

The Indian retail evolution story would be incomplete, without a mention of the canteen Stores Department and the Post Offices in India. The Khadi & Village Industries (KVIC) was also set up post-independence. Now, More than 7,050 KVIC stores are there across the country. The co-operative movement leads to the establishment of Kendriya Bhandars in 1963(Swapna pradhan, 2010).

India encompasses a wealthy ancient history of retail trade. An outsized range of the business models are living since long and they still make their presence felt across the country. That may be the rationale why they are taken into thought at this stage of analysis. However, most of those models concentrate on food grains, cereals and alternative connected food stuff (Swapna Pradhan 2010).

- **The vegetables and the Grain Mandi**

*Mandis* are agricultural markets set up by the state government to procure the agricultural produce directly from farmers. These markets can be categorised as grain mandis, cotton mandis, soya mandis, vegetable mandis, etc. There are 7,161

regulated markets, or *mandis*, in India which are mostly primary wholesale markets and are usually governed by the Agricultural Produce Marketing Committee (APMC) Act (Debroy,2005).

- **Haats**

Unlike the regulated markets, there are also unregulated markets known as *haats*, *peta*, *angadi*, *hatwari*, *shandies*, *chindies* or *painths*. A *haat* is a periodic market which exists typically at a village level. A *haat* can be said to be a public gathering of buyers and sellers of commodities, fruits, vegetables, household goods, clothes, accessories like bangles, etc. Most of the *haats* (75%) are held once a week while others (20%) are held twice a week and the rest are held daily.

- **The Melas**

The rural life has another distinct feature with it and that is the melas which are quite popular in our country and around 25,000 of them are held each year. The classification of the melas can be done according to their nature as the commodity fairs and religious fairs; on the basis of the time period as one day, less than a week or weekly fairs. Normally the melas have around 800 outlets.

- **The local Baniya or the Kirana store**

The local *Baniya* or the *Kirana* store as it is popularly referred to in India is the nearby shop to one's home that stores goods of basic daily needs like staples, FMCG products and many a times certain snacks which are ready to eat. A typical store stocks close to 1000 units ranging from FMCG products like soaps, shampoos, toothpaste, hair oils, etc. to staples like dal, rice, pulses, etc. Most stores also stock daily provisions and grocery products like cooking oils, juices, dairy products, chocolates, masalas, dry fruits, etc. Some of the retailers also stock unbranded goods like idli mix, etc (Swapna Pradhan 2010).

- **Hawkers**

Hawker sells the goods at streets and attracts the attention of the people by using placards, signs or disclosing merchandise in a public place.

- **Peddlers**

Peddler is a retailer who do not have fixed place for conducting his business but still he regularly carries the goods for sale with himself from place to place.

- **Street vendors**

Street Vendors is a person who offers goods or services for sale to the public without having a permanently built structure but with a temporary structure or mobile stall.

### **The Reasons for Unorganized Retail Sector Domination in India**

In small towns and urban areas, there are many families who use the traditional kirana shops/ 'mom and pop' stores offering a wide range of merchandise mix. Generally these are the family owned stores which are transferred through generations. These shops have their own efficient management system and with this they can satisfy the needs of the customer. Hence, majority of customers don't think about shifting to an organized outlet.

In India, a large number of people are working on a daily wage basis. When they get their wage, they would like to purchase from the small stores at smaller amounts. No big retail store would entertain them. Another consumer class, seasonal workers, would like to purchase on credit from kirana stores during their unemployment period and they will clear the dues at the time of getting salary. Now this type of credit facility is not available in a corporate retail store. So these kirana stores are the only place for them to fulfill their needs.

The proximity of the store might be another reason. Kirana stores are operating in every hook & corner of the street, at a walkable distance from the customer's house. Customers prefer to shop from the nearby kirana shop, instead of driving to a long distance organized retail stores.

These unorganized stores have a number of options to cut their costs. They generally operate from their residences, hence they incur little to no real-estate costs. Their labour cost is also low because the family members work in the store. Also



they use cheap child labour at very low rates. As they operate from their home they can pay for their utilities at residential rates.

### **Opportunities and Challenges of Unorganized Retail Sector in India: Opportunities**

India's booming economy is a major source of opportunity. In terms of purchasing power, it is the third largest and second fastest in terms of growing economy in the world. With the Indian economy now expected to grow at over 7% and with average salary hikes of about 15%, manufacturers and retailers of consumer goods and services can expect a major boost in consumption. Increasing number of youth population is also favourable to retailers. Enhanced level of double income families would increase the spending power. Increased automobile penetration is another advantage as the customer can travel miles to reach a particular shop.

Change in demographic and consumption patterns also poses some threats to the unorganized sector.

### **Challenges Which Are Faced By the Indian Unorganized Retail Sector**

- Lack of best practice in inventory management and supply chain management.
- Lack of standardization.
- Stiff competition from organized retail sector.
- Lack of knowledge, skills and training.
- Consumers shifting towards organized retail markets.
- Lack of government policies discouraging the unorganized retailers.
- Lack of capital.

## **Global Retail Scene**

Retail is one of the largest sectors in many national economies. Countries differ in how they define the industry, but according to the ILO, “retail is universally understood as the final step in the distribution process, in which retailers are organized to sell merchandise in small quantities to the public.” This differs from wholesale trade where firms sell to other firms.

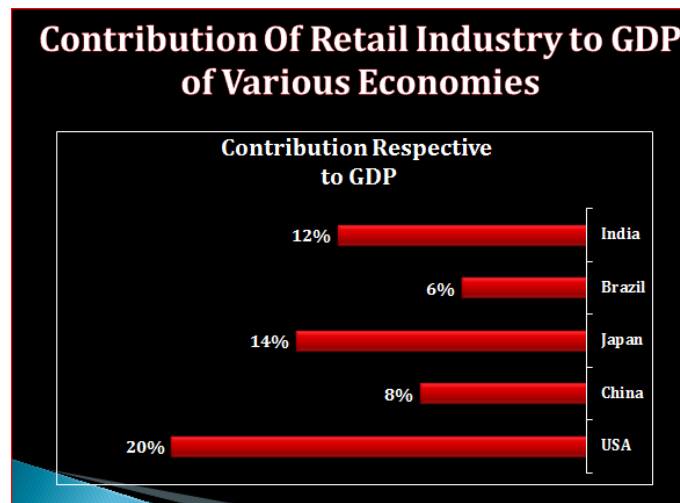
The retail industry is on growth trajectory all over the world. Retail industry has shown a good hope for many countries to accelerate their business growth and also to utilize the opportunity to progress well in their economies. So many factors have contributed towards the success of retail and to mention a few, endless customer choices, surplus disposable income, increase in purchasing power, healthy competition, and impact of IT. Hence retail is considered to be a single largest private industry in the world today. This sector has limitless growth opportunities especially for organised Retailing (Manoj Prabhakar, 2011).

In developing economies the unorganized sector dominates the retail business, whereas in developed economies it is dominated by organized sector. Hypermarkets, supermarkets, discount and convenience stores are widely present there, whereas such retail outlets are just begun to spread in developing countries recently.

## **Worldwide Retail Business**

Retail business is the largest private industry ahead even of finance and engineering, contributing over 8% to the GDP in the West. Indian retail contributes 12% to the GDP. The figure below gives more details. Over 50 of the Fortune 500 and about 25 of the Asian Top 200 companies are retailers (Lamba, 2008). United States, European Union & Japan constitute 80% of world retail sales. Retail trade in Europe employs 15% of the European workforce (3 million firms and 13 million workers).

Figure 3.6: Retail industry v/s GDP



Source: IBEF

Retail in developing countries has seen excellent growth. The developing world population has grown; retail sales in those markets have increased and now represent more than half of the total global retail sales (A T Kearney 2016). As a result international retailers have relied on developing markets to fuel the growth. To limit the downsides, retailers have become more strategic and cautious in how they expand. The GRDI index is unique in that way, it not only identifies the markets that are most attractive today, but also those offer future potential. The global retail development index ranks the top 30 developing countries for retail investment based on all relevant macroeconomic and retail specific variables. Snapshots of top 5 countries are given below.

Table 3.1

*Global retail development indexes*

2016 rank	Country	GRDI	GDP,Per Capita PPP	National retail sales(US \$ million)
1	China	72.5	14,190	3,046
2	India	71.0	6,209	1009
3	Malaysia	59.6	26,141	93
4	Kazakhstan	56.5	24,346	48
5	Indonesia	55.6	11,112	329

Source: A T Kearney analysis

Over the recent period, retailing has been transformed to globally. With increasing opportunities in emerging markets, global retailers are now shifting their focus to these countries. Globalisation is gradually emerging as an integral part of the retail strategy of many retailers. Listed below are some of the key challenges being faced by the organized retailer's worldwide (Swapna pradhan, 2012).

### **1. The emergence of new markets**

Asia, especially China and India are the emerging market places. In the past, the sheer size of China and India did not necessarily lead to their having an impact as a Market. The technological, transportation and industrial revolutions of the past two decades have changed much of that. Increasing urbanization in both the market has fast emerged as an important factor in the rise of these nations as important emerging markets.

### **2. The Empowered Consumer**

Retaining the consumer is far more difficult today than it was a decade ago. Consumer lifestyles and demographics are changing rapidly. Spending power is increasing and technology is aiding consumers in making sound shopping decisions. Given the increased amount of choice in terms of products and formats, consumers now demand more for less from the shopping experience.

### **3. Technology Enabled Efficiencies**

Technology has enabled businesses and consumers to build efficiencies on the basis of ability to receive and transmit data at a fast speed. This information has today become critical for achieving efficiencies in all aspects of retailing. In the near future retailer-supplier relationship will depend on technology, substituting information for inventory in the pipeline to reduce costs while improving productivity.

### **4. The rise of the e-age**

The emergence of internet retailing or e-tailing as it popularly known has been a key driver of change in retail. The increase in the number of internet users not only in the developed markets but also globally has placed new demands on

retailers. Internet savvy consumers understand the power to shop and buy on their own terms.

## **5. Regulatory changes**

Changes in Foreign Direct Investment will affect the global retail. During 2011 it was a major story in India. The cabinet has approved 51% FDI in multi brand retail and 100% in single brand retail in India. Single brand retailers like Zara for example sell all their products under only one label across stores. Multibrands mean different brands under one roof. India's changing FDI climate provides an interesting dynamic to several international retailers entry and expansion plans

### **Global retail**

The global retail universe is diverse covering a large number of segments, different business models and a wide range of formats. The following are some of the global players in retail:

#### ***Wal-Mart***

Wal-Mart is an American multinational retailer corporation that runs chains of largediscount department stores and warehouse stores. It is also the biggest private employer in the world with over two million employees and is the largest retailer in the world. Wal-Mart remains a family-owned business as the company is controlled by the Walton family who own a 48% stake in Wal-Mart. Wal-Mart's investments outside North America have had mixed results: its operations in the United Kingdom, South America and China are highly successful.

#### ***Carrefour***

It is an international hypermarket chain headquartered in Boulogne Billancourt, France, in Greater Paris. It is one of the largest hypermarket chains in the world (with1, 395hypermarkets at the end of 2009, the second largest retail group in the world in terms of revenue and third largest in profit after Wal-Mart and Tesco). Carrefour operates mainly in Europe, Argentina, Brazil, China, Colombia, Dominican Republic, United Arab Emirates and Saudi Arabia, but also has shops in

North Africa and other parts of Asia, with most stores being of smaller size than hypermarket or even supermarket.

### ***Tesco***

It is a British multinational grocery and general merchandise retailer headquartered in Cheshunt, United Kingdom. It is the third-largest retailer in the world measured by revenues (after Wal-Mart and Carrefour) and the second-largest measured by profits (after Wal-Mart). It has stores in 14 countries across Asia, Europe and North America and is the grocery market leader in the UK (where it has a market share of around 30%), Malaysia, the Republic of Ireland and Thailand.

### ***IKEA***

IKEA is a privately held, international home products company that designs and sells ready-to-assemble furniture such as beds, chairs, desks, appliances and home accessories. The company is the world's largest furniture retailer. Founded in Sweden in 1943 by 17-year-old Ingvar Kamprad, the first IKÉA store was opened in Älmhult, Småland in 1953, while the first stores outside Sweden were opened in Norway (1963) and Denmark (1969). The stores spread to other parts of Europe in the 1970s, with the first store outside Scandinavia opening in Switzerland (1973), followed by Germany (1974). At the end of 2009 financial year, the IKEA group had 267 stores in 25 countries.

In developed economies, the retail sector is now characterized by large scale multiple chains run by powerful and sophisticated organizations like Bazaars and Kendriya Bhandar in New Delhi, Sarkari Bhandar in Mumbai, Spencer Plaza, and Nilgiris in Chennai etc. As progress moved across America in the late 1800's and early 1900's, millions of men and women opened main street stores. The first half of the twentieth century saw the arrival and the growth of large retail giants. This new group of discounts stores redefined value and the varieties with low price and wide inventories. Though the arrival of super markets in India-was a bit late but they are fast becoming a range among the retail enthusiasts. The tremendous growth of

organized retail formats is mainly due to the change in the consumer's behaviour (Darden, 1983).

### **Organised Retailing**

Organized Retail refers to the set-up of any retail chain supported by a well-defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector. Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficiency in the processes, etc., the end user is rewarded with a better product at a cheaper price as against the unorganized retail sector. As the consumer base is growing each minute, the organized retail sector is believed to have a huge growth potential (Jamph 2011).

In India, retail is the buzzword. While it has not as yet been accorded to the status of an industry, it is witness to a large number of formats emerging in the market at a very fast pace. (Swapna pradhan, 2010).The first Indian organized retailing was started in the textiles sector. The pioneers in this field were Raymond's. The Raymond's distribution network today expanded to 21,000 retailers and over 430 showrooms across the country. Reliance Vimal showrooms and Garden Vareli are the other textile manufacturers who set up their own retail chains. The next wave of organized retail in India saw the likes of Madura garments, Arvind Mills etc set up showrooms for branded men's wear. With the success of the branded men's wear store, the new age departmental store arrived in India in the early nineties. This time is considered as the beginning of new era in retail in India.

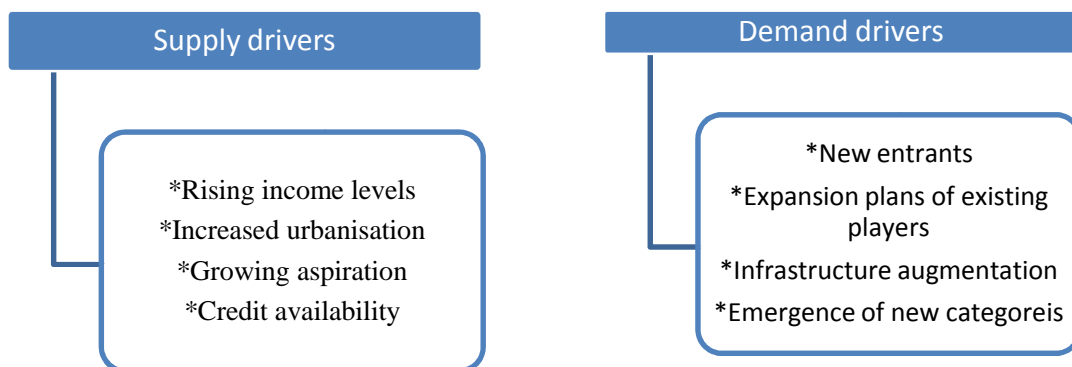
During this time the post liberalization effect on the economy has reflected. A new large middle class with spending power has emerged. This would have help to shape this sector. The vast middle class market demanded value for money products. Along with this the increasing number of working woman and double income households fueled the growth of departmental stores, supermarkets and other specialty stores. The concept of retail as entertainment came to India with the advent of malls. The development of malls is now visible not only in the major metros but also in other parts of the country (Swapna pradhan, 2010).

We all witness the changes happening in the retail in the country. The local bania has transformed itself into a small supermarket. The person driving this change is the Indian consumer. The steady economic growth in the post liberalization brought about an associated rise in the income of the consumer, which in many ways fuelled the consumer revolution in India. Invalid source specified..

### Drivers of Retail Growth

India’s economic growth and demographic profile set it apart from other nations, and attract the attention of global retailers to enter into the emerging market. Retailing in India has witnessed tremendous growth in the last few years. Drivers fuelling the growth of the retail sector are below:

Figure 3.7: Drivers of retail growth

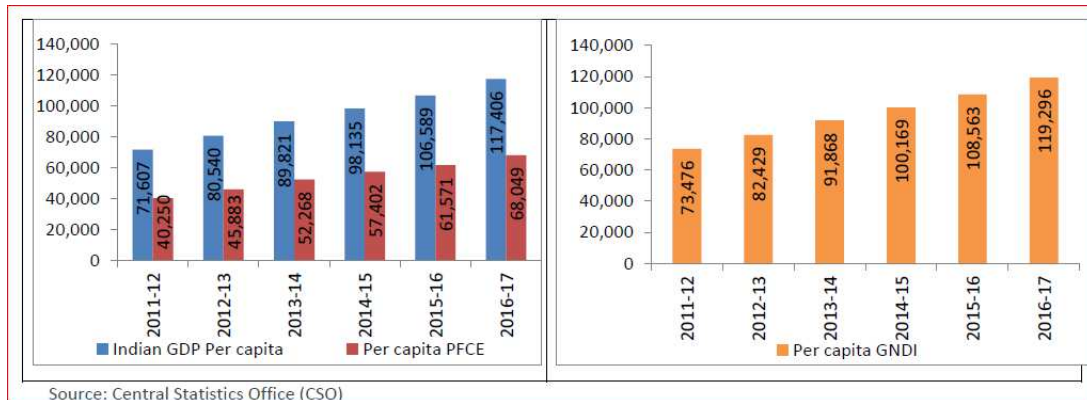


- **Rising income levels**

In the last decade, there is a rapid progress in Indian economy. Apparently, India’s per capita GDP growth along with hiking CAGR (Compounded Annual Growth Rate) fuelling a consumption boom in the country. The per capita GDP growth in turn has increased the disposable income of the people leads to driving the country’s consumption.



Figure 3.8: Per capita indicators (Rs at current prices)

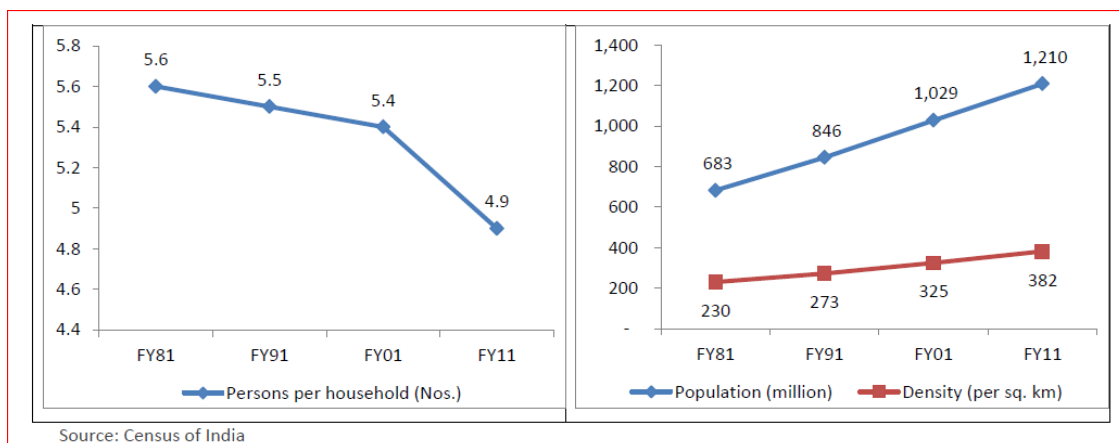


Source: Central Statistical office

- Rising growth in number of nuclear families**

Population growth, increased urbanization has led to the growth of nuclear families in the country. Reduction in the average number of person per household, results in increased number of households. This nuclear family system has fuelled the demand for necessities and luxury/semi-luxury products. This also facilitate the emergence of modern retail formats such as specialty retail, luxury retail etc.

Figure 3.9: Trends in family size & Growth in population and density

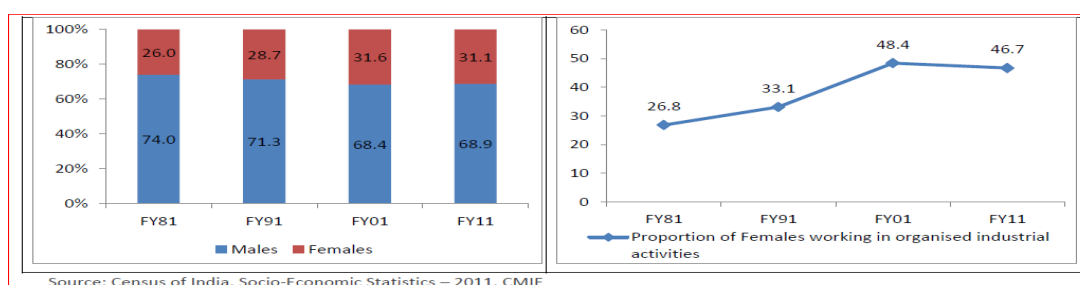


Source: Census of India

## Growing female working population

Recent decades, the contribution of female workforce to the country's economic development has increased considerably. The proportion of the working woman has increased rapidly both in organized and unorganized sector. The 'working-women classes' spend more, compared to housewives as their purchasing power is high. They felt 'time constraint'; it can be capitalized to the organized retailers through providing 'one-stop shop' destination facility. Therefore, they can purchase all the household requirements ranging from food & grocery to apparel from a single store.

Figure 3.10: Share in total working population (%) and Proportion of females working in Organised industrial activities (%)



Source: Census of India

- **Changing profile of Indian consumers**

Occupational changes and expansion of media have caused a significant change in the way the consumer lives and spend his money.

Table 3.2

*Changing profile of Indian consumers*

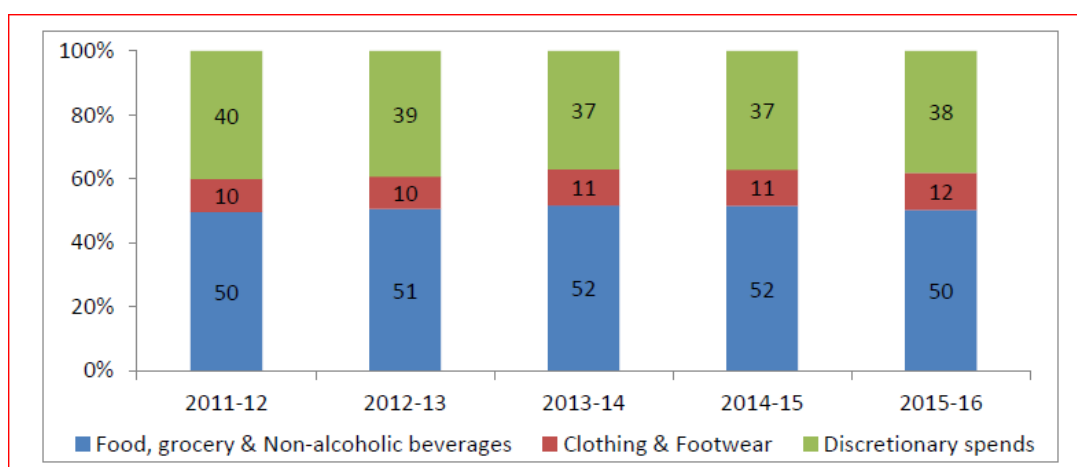
<b>OLD GENERATION CONSUMERS</b>	<b>NEW GENERATION CONSUMERS</b>
Insecure	Confident
Idealistic	Pragmatic
Risk Averse	Risk taking
Savings oriented	Investment oriented
Considered decision	Impulsive decision
Defined role of men & women	Diffusion of role

Source: Compiled by the author from several sources

**Changing face of Indian consumerism – from necessities to luxury (Brand consciousness)**

Rise in income and increase in plastic money pave the way for more spending. In the year 2016, Food & grocery and Clothing & footwear spending was recorded at 62% of the country’s total spending while that of discretionary category was steady at 38%.

*Figure 3.11: Changing consumption patterns*



Source: Census report

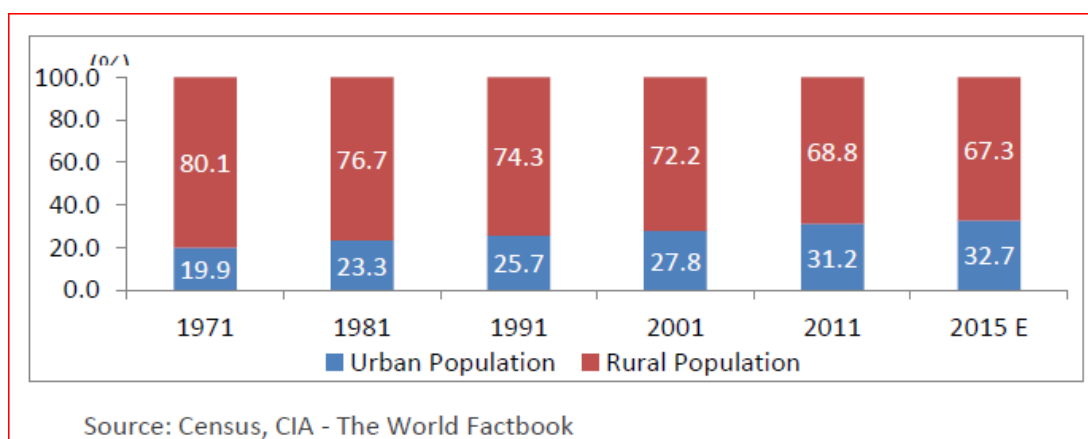
- **The Rural Market: Waking Up**

Now, the rural market has become one of the important consumption areas as it accounts for more than one third of the total demand for most key consumer durable and non-durable products. The manufacturers of consumer goods have also started developing products and marketing strategies keeping the rural **consumer** in mind.

- **Increased urbanization**

It has been says that majority of India, still lives in the ‘villages’, but the figures shows that there has been a paradigm shift of the Indian population in terms of rural–urban divide. As more and more people migrated from villages to towns and cities, inspired by higher income and high standard of living led to an increase in the demand for goods (owing to higher income and ever-expanding needs). The organized retailers are therefore targeting the ‘middle class’ population by ensuring the availability of varied products at various price ranges, to match the needs of a ‘common man’. There is growing urbanization in India. In 1951, the urbanization was only 17% of the total population. In 2011, this has increased to over 30%. The growth of urban population provides a good scope for organized retail sector in India(Yadav, 2012).

*Figure 3.12: Increased Urbanisation*

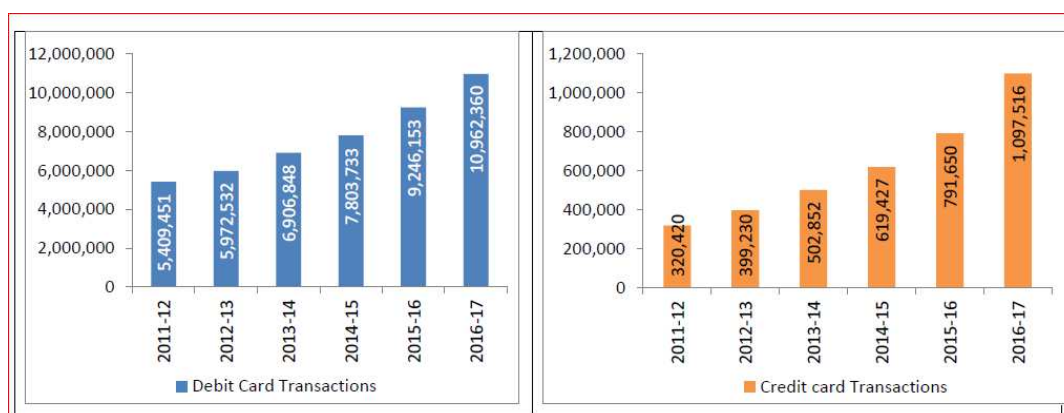


Source: IBEF

- **Growing spread of plastic money & easy availability of credit**

The acceptance of ‘plastic money’ by almost all organized retailers has resulted in an increased spending amongst the consumers. The incentives such as cash-back offer or discounts on selected sales linked to the plastic money have lured the Indian consumer to experience the pleasure of ‘cashless shopping’(Madan sabnavis, 2017).

*Figure 3.13: Debits and Credit Card Usage Trend*



- **New entrants**

The organized retail revolution in India started in the early 1990s with FoodWorld as a supermarket and Shoppers’ Stop as a department store. Both used shopping experience as the key differentiator. The new formats targeted the upper ends of the market. This trend continued until about 2001 when hypermarkets hit the road and used price to reach the masses. This also changed the rules of the game. Until then, the traditional format retailers were not affected by the changing scenario. The rush to capture major markets has made price as one of the most important variables. Retailers using different formats have also been affected and have started using price to build up and retain their customer base. Hence, while retailers in India are trying to position themselves on several dimensions, they tend to be classified more on the basis of price.

- **Expansion of existing players**

Retailers must understand the values shoppers are looking for and how they can deliver that desired value to the customer. However currently most retailers in India are focusing on what they are offering and how shoppers can fit into the retailer's scheme of things. In the long-run, such strategies may not be viable. Retailers like Pantaloons operate different retail formats to cater to consumer needs in addition to online store. All the formats are profitable and each format is tailored to fulfill customer needs.

- **Infrastructure augmentation**

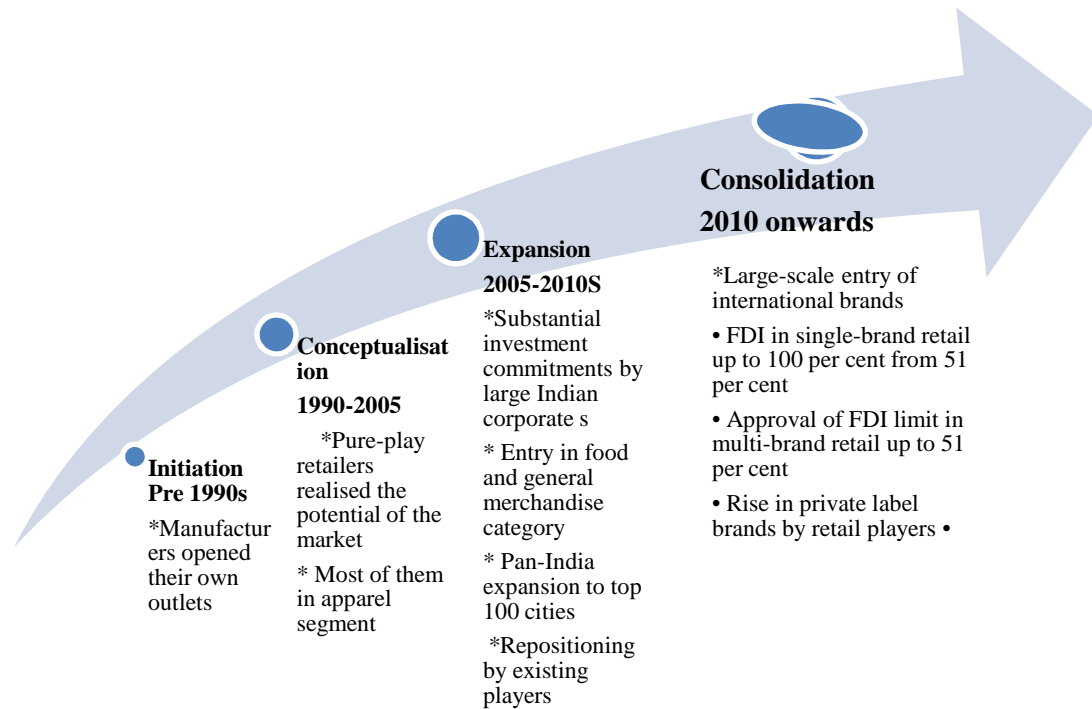
Technology is going to play a major role in retail developments in India. Currently, most of the retailers are operating almost everything manually. Most of the organized retailers use available and affordable technology to capture consumer information. Modern retailers use scanner data to adapt to customer buying behavior. Technology helps to take better decisions in some critical areas such as new product introduction, suitable product offerings, quicker ordering and assortment planning. Retailers use shopper's loyalty data to design customized promotional offerings for different set of customers. Some retailers like Shopper's Stop have used technology to great advantage. They could be viewed as one of the best users of technology.

The driving factors from both demand and supply side boost the foray of innovative retail formats into the market. The retail market reached its present position through some evolution. Let us discuss the how it evolved.

### **Evolution of Indian Organized Retail**

Retail market also passed through a life cycle and distinct phases of growth. This is depicted in the figure.

Figure 3.14: Evolution of Indian organized retail



### Initiation era (Pre 1990s)

For centuries now, India has been operating within her own unique concept of retailing. Retailing in its initial period was witnessed at the weekly haats or gatherings in a market place. Then the market saw the emergence of the local baniya and its neighbourhood “Kirana shop”. Multipurpose goods were provided by them and were located near the residential areas. Even though retail evolved only now, major part of the retail industry is dominated by them.

Table 3.3

*Pre 1980s Phase of traditional formats*

<b>Pre 1980s Phase of traditional formats</b>	
Maandis	Physically located at different regions to enhance convenience shopping
Village haats/melaas	Buyers and sellers gather once in a week/month at a common place to meet their purchase needs
Pushcart vendors	Roaming from door to door in various localities selling fruits and vegetables and other eatables.
Kirana shops	Food and non-food neighborhood counter stores.
<b>Government supported shops:- PDS</b>	Public distribution system originated from rationing system introduced by the British during world war 2 <sup>nd</sup> and started in 1939.
KVICS	Khaadi and village Industries had been set up post-independence.
CDS	Canteen stores department and post offices.
<b>Transitional phase (1980-85)</b>	Transition from organized to un-organized retailing
Exclusive showrooms	Raymond and reliance set up exclusive showrooms as beginners.
Retail chains	Titan successfully introduced series of showrooms for their premium watches

Initial steps towards liberalization were taken in 1985. During this phase many restrictions on private companies were lifted and the Indian economy slowly progressed from being state led to becoming market friendly. Liberalization of the Indian economy led to the dilution of stringent restrictions. Due to changing profile of Indian consumers and increasing wages of the employees that led to high purchasing power, Indian retail industry became attractive. Entry of domestic retailers like Cotton World (Mumbai), Nirula's (Delhi) and Viveks and Nilgiris in the South into the retail chain happened during this phase. The mid 80s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers. For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountain head in books.



## **2. Conceptualization (1990-2005)**

The year 1995 saw an emergence of shopping centers, mainly in the urban areas with facilities like car parking targeted to provide a complete destination experience. It was the phase of emergence of hyper and super markets trying to provide consumer with 3 V's - Value, Variety and Volume. During this time the retail sector was a sellers' market with a limited number of brands and little choice available to customers. Lack of trained manpower, tax laws and government regulations all discouraged the growth of organized retailing in India during that period. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing. Foundation for organized retail in India was laid by Kishore Biyani of Pantaloon Retails India Limited (PRIL). Following Pantaloon's successful venture, a host of Indian business giants such as Reliance, Bharti, Birla and others are now entering into retail sector. It is interesting to note that most new retailers like Pantaloon, Shoppers Stop and Life Style of this era focused mainly on apparel and other related categories. With the opening of Indian economy during this phase, first generation international brands like Nike, Reebok and Adidas to name a few made the Indian entry.

## **3. Expansion (2005-2010)**

As the name suggests, this is perhaps the most active phase in the Indian retail industry in terms of growth, entry of new players and development of new entrants. A growing middle class, increasing disposable incomes as well as large and young consumer markets led to rapid growth of the Indian retail industry. Having realized the vast potential of the relatively untapped domestic market, large industrial conglomerates like Mahindra and Mahindra, Reliance, Tata, Aditya Birla and Essar entered the pan-India retail arena during this period and large numbers of malls were proposed/developed across major metros and upcoming tier-II cities.

#### **4. Consolidation**

Considering the challenges faced by the industry at present, retail chains are likely to focus on consolidations to cut costs and survive in the market. In the present scenario, companies are increasingly concentrating on strengthening existing operations while assessing growth options through consolidation. The pace of consolidation in the domestic retail sector is set to increase with the moves. One of the biggest consolidation moves in the retail sector, the Future group has linked a partnership with bharathi group to merge their retail businesses.

Whether the changes taking place in the Indian retail landscape represent evolution or revolution is a matter for conjecture. However, nobody can doubt that the dramatic transformation is underway. The Indian retail market has over 15 million outlets and has the largest retail outlet density in the world. Invalid source specified.. However most of these outlets are basic mom and pop stores with very basic offerings and fixed prices and lack good ambience. The liberalization that had taken place during 1985-90 changed the economy dramatically, a new large middle class with spending power emerged and they demanded value for money products. Along with this the emergence of modern Indian housewives who managed her home and work led to demand for more products, a better shopping ambience, more convenience and one stop shopping. This has fuelled the growth of departmental stores, supermarkets and other specialty stores.

#### **Types of Organized Retail Formats**

**Hyper Marts/ Super Markets:** large self – servicing outlets offering products from a variety of categories. Examples like Spencer’s, Big Bazaar.

**Departmental Stores:** are general retail merchandisers offering quality products and services. Examples like Ebony, Shopper’s Stop, Westside.

**Convenience Stores:** are located in residential areas with a slight high price of goods due to the convenience offered. Examples like in & Out, Safe, 6ten.

**Shopping Malls:** The biggest form of retail in India, malls offer customers a mix of all types of products and services including entertainment and food under a single roof.

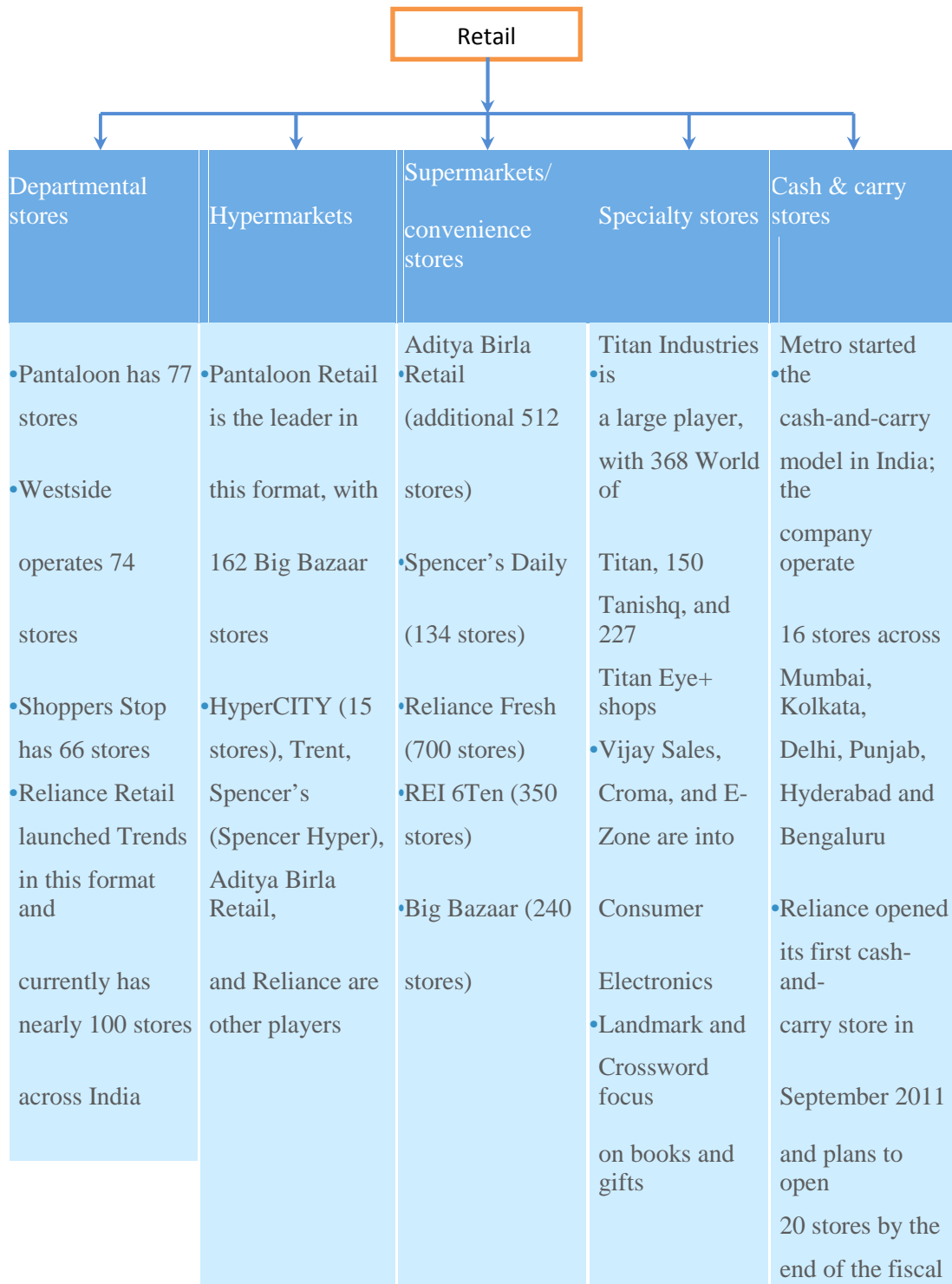
**E-tailers:** Are retailers providing online buying and selling of products and services.

**Discount Stores:** these are factory outlets that give discount on the MRP. Subhiksha, Koutons, Nike, and Levis are to name a few. **Vending:** it is a relatively new entry in the retail sector. Here beverages, snacks and other small items can be bought via vending machines.

**Category Killers:** small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories such as electronics and sporting goods.

**Specialty Stores:** are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples. (Sunita Sikri, Ms. Dipu Wadhwa 2012).

Figure 3.15: Expansion of organized retail by formats



Source: Company websites, Press Release, TechSci Research

## **Major Organised Retailer in Indian Market**

- **Pantaloon Retail**

The flagship company of Future Group, Pantaloons Retail operates over 16 million square feet of retail space, has over 1000 stores across 73 cities in India and employs over 30,000 people. It can boast of launching the first hypermarket Big Bazaar in India in 2001. The companies also operates in other retail segments such as - Food & grocery (Big bazaar, Food bazaar), Home solutions (Hometown, furniture bazaar, collection-i), consumer electronics (e-zone), shoes (shoe factory), Books: music & gifts (Depot), Health & Beauty care services (Star, Sitara and Health village in the pipeline), e-tailing (Futurbazaar.com), entertainment (Bowling co.).

### **K Raheja Group**

They forayed into retail with Shopper's Stop, India's first departmental store in 2001. It is the only retailer from India to become a member of the prestigious Intercontinental Group of Departmental Stores (IGDS). They have signed a 50:50 joint venture with the Nuance Group for Airport Retailing. Shoppers Stop has a national presence, with over 2.05 million square feet area across 39 stores in 17 cities. It has also introduced new formats in the market viz Home Shop – the exclusive home furnishings, décor as well as furniture store and Hyper City– a premium shopping destination for Foods, Home ware, Home Entertainment, Hi-Tech Appliances, Furniture, Sports, Toys & Fashion. Other format of the company includes -- Crossword Book Store, Mother Care & Early Learning Centre (ELC), Estee Lauder group, Airport Retailing, Time Zone Entertainment.

### **Tata Group**

Established in 1998, Trent - one of the subsidiaries of Tata Group - operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large assortment of products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. Tata has also formed a subsidiary named Infiniti retail which consists of Croma, a consumer electronics chain. Another subsidiary,

Titan Industries, owns brands like “Titan”, the watch of India and Tanishq, the jewellery brand.

### **RPG group**

One of the first entrants into organised food & grocery retail with food world stores in 1996 and then formed an alliance with Dairy farm International and launched health & glow (pharmacy & beauty care) outlets. Now the alliance has dissolved and RPG has Spencer’s Hyper, Super, Daily and Express formats and Music World stores across the country.

- **Landmark group**

Landmark Group was launched in 1998 in India; currently owning 100 stores across various retail formats. The retail ventures of Landmark Group includes - Home Centre, Centrepoint, Babyshop, Splash, Shoe Mart, Lifestyle, Max, Lifestyle Department Stores, SPAR hypermarkets, Foodmark, Fun City, Fitness First, Citymax India etc.

- **Bharti-Walmart**

Bharti have signed a 50:50 percent joint venture agreement with Walmart’ in which Wal-Mart will be taking care of cash & carry and Bharti will do the front-end. Further they plan to invest US\$ 7 bn in creating retail network in the country including 100 hypermarkets and several hundred small stores.

- **Reliance**

The company owns more than 560 Reliance Fresh stores and recently it has also launched Reliance Mart Hypermart. The company further plans to launch its hypermart in Delhi / NCR, Hyderabad, Vijaywada, Pune and Ludhiana region.

- **AV Birla Group's**

AV Birla Group's brand portfolio includes brands such as Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town. The recently acquired food and grocery chain of south, Trineth, has further increased their number of store to

400 stores in the country. The company also owns 'More' supermarkets and hypermarkets. Currently it runs 600 supermarkets and nine hypermarkets across India.

- **Metro**

Metro Cash & Carry, the first company to introduce cash and carry business, started its operations in India in 2003 with two Distribution Centres in Bangalore. Metro offers assortment of over 18,000 articles across food and non-food at the best wholesale prices. Currently Metro operates six cash and carry centres in Bangalore, Hyderabad, Kolkata and Mumbai.

- **Viveks Ltd**

Viveks Limited is the largest consumer electronics and home appliances retail chain in India, with 44 stores in south, covering a retail space area of over 1, 75, 000 sq. ft and a turnover of over Rs. 400 crore. Its brand, Viveks, is now a household name. The company plans to set up 50 more showrooms in South India.

## **SIGNIFICANCE OF ORGANIZED RETAIL**

- ***Employment Generation***

Modern selling has the potential for generating employment to an oversized range of individuals in varied retail operations that is very needed in a country like India.

- ***Increasing Efficiency In Agriculture***

The concept of middlemen in the food supply chain is no longer in use. Now the systems have become more and more technology driven. The farmers of today are cultivating crops as per the demand of the retailers. Also, the customers are getting benefits of reduced pricing and vice-versa the farmers are receiving higher returns for their produce. This has been made possible by organized retail which provides mass marketing of processed and package foods.

- ***Entertainment Along with Shopping***

Today shopping time is fun time as everyone is so busy and people usually have only weekends to shop and they use this time to enjoy also. An organized retail offers this dual purpose of one stop shopping with many product baskets at a single location and also excellent ambience and entertainment.

- ***Creating Positive Social Change***

Organized retailing is leading to an improvement in the local infrastructure by providing various facilities like adequate parking, ATM along with a safe and secure environment which has encouraged the setting up of 24 hours convenient stores. This has enabled a positive social change in the industry.

- ***Economies Of Scale***

Organized retailing eventually leads to economies of scale as they are going for vertical integration from outlets to establishing the malls.

- ***Rapid Economic Growth***

The Indian economy is growing at a fast and furious pace which has become a driving force for Indian consumerism. Now the Indian consumers are confident about their earnings and they spend a large portion of their high disposable incomes. The analysts project that India has the potential to be labeled as the fastest growing economy and outpace the developed economies by 2050.

- ***Potential Untapped Market***

In India, the penetration of the organised retail is on the rise and it offers an attractive proposition for both i.e. the entry of new players as well as expansion for the already existing players. Also, the rise in the percentage of the rich and the super rich population with the impressive disposable incomes has opened new avenues providing a spectrum of opportunities in various spheres. Also, the impressive retail space availability and the growing trend of consumerism everywhere has added to the market attractiveness.



- ***Low Cost Of Operations***

Organized retail has led to economies in the cost of operations as now the target areas for retail establishments and manpower sourcing are Tier II and Tier III cities which offer a cost advantage by providing low cost skilled human resources.

## **CHALLENGES TO ORGANIZED RETAIL**

To achieve a position in an existing market, a prospective retail institution should overcome the subsequent hurdles

- ***Regulatory barriers including:***
  - Restrictions on land purchases particularly as obligatory by native governments and against "big-box" chain retailers;
  - Restrictions on foreign investment in retailers, in terms of each absolute quantity of finance provided and proportionate share of stock (e.g., common stock) purchased;
- ***Unfavorable taxation structures,*** particularly those designed to punish or exclude "big box" retailers ;
- ***Absence of developed supply chain and integrated IT management***
- ***Challenges with Infrastructure and supplying:***The lack of correct infrastructure and distribution channels within the country ends up in inefficient processes. This can be a serious hindrance for retailers as non-efficient marketing is extremely tough to handle and may lead to vast losses. Infrastructure doesn't have a robust base in India. Urbanization and globalisation compels firms to develop infrastructure facilities. Transportation, together with railway systems, should be economical.

## **Present Position**

The emergence of the 24/7 culture has had very strong impact on the changes occurring in many industries. Each passing year has new and far reaching effects on

the retail industry. The retail sector in India is emerging as one of the largest sectors in the economy. By 2020, the total market size is expected to be around USD 1.3 trillion, thereby registering a CAGR (Compound annual growth rate) of 23.09% since 2000. India had the highest number of retail outlets in the world at over 13 million retail outlets in 2014. It also has the highest number of outlets (11,903) per million inhabitants. India is among the highest in the world in terms of per capita retail store availability, its strong growth fundamentals along with increased urbanization and consumerism offer immense scope for retail expansion for foreign players.

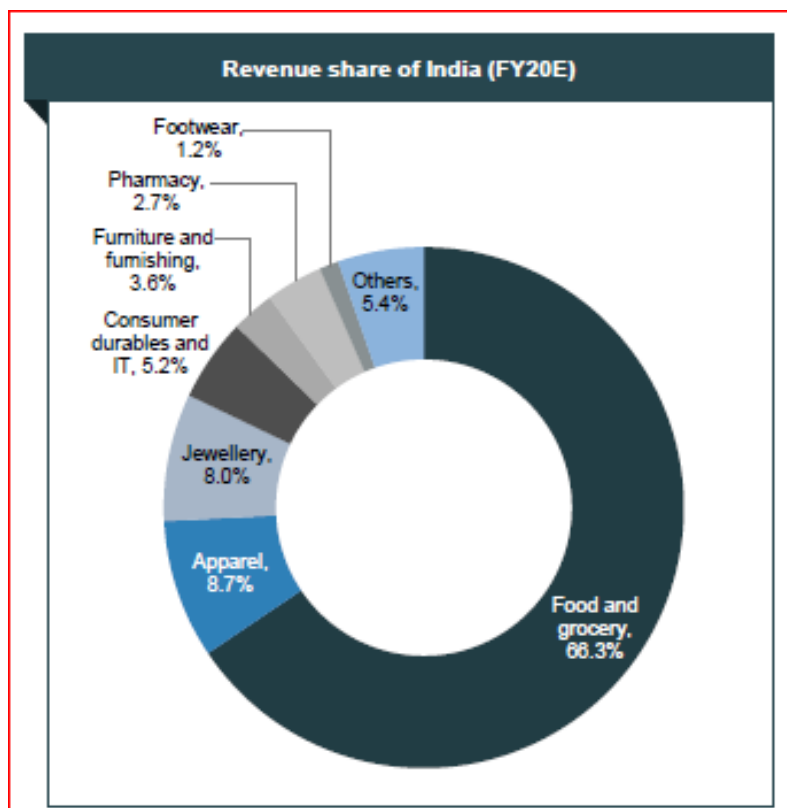
India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk and moderate political risk. The Indian retail sector is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in tier 2 and tier 3 cities. In market potential India ranks eleventh (after US, China, Canada, UK, Brazil, Germany, Austria and Mexico). India's net retail sales are quite significant among emerging and developed nations, the country is ranked third (after China and Brazil) for net retail sales. (A T Kearney 2015).

India's grocery retail segment is the most attractive in the world (IGD 2010). We have seen robust growth in retail and is expected to continue, however organized retailing is still in its infancy stage in terms of maturity. Within the country, even today a large part of retail stores are from the unorganized sector.

### **Contribution of Various Segments in Indian Retail Industry**

The Figure shows the contribution of various sectors in Indian retail industry. By 2020, food and grocery segment is expected to account for 66 per cent of the total revenues in the retail sector, followed by apparel segment. Demand for Western outfits and a readymade garment has been growing at 40–45 per cent annually. After 2017 being a favourable year for herbal-ayurvedic brands, new Indian organic labels in hair care, cosmetics, food and apparel are gearing up to establish an organic niche in the growing herbal segment.

Figure 3.16: Share of different sectors



Source: IBEF

### Food and Grocery

The food and Grocery sector accounted for 70.6 percent of the total retail value in India in the year 2009. The sector increased at a compound annual growth rate of 11.6 percent between the year 2004 and the year 2009 and is expected to reach at US \$ 425 billion by the year 2016. Though Food and Grocery segment is highly unorganized and most of the food is sold by vendor, roadside pushcart seller or tiny kirana stores. According to the McKinsey report, the share of an Indian household's spending on food is one of the highest in the world, with 48 percent of income being spent on food and beverages. Changing life style and tastes increase in the disposable income, increasing number of working women, changing consumption pattern and impacts of western lifestyle are some of the positive factors for organized food retail segment. Some of the organized players in the food and grocery segment include food bazaar from future group, foodworld etc. This sector

requires combination of right merchandise, well trained staff; value added services and efficient supply chain continuously delivering Every Day Low Price.

## **2. Apparel**

The Indian domestic apparel market size was US \$ 47 billion in the year 2010 and is expected to grow at 11 percent CAGR to reach at US \$ 140 billion by the year 2020. The readymade and western outfits are growing at 40 -45 percent annually. Rising fashion awareness and the desire to be perceived as fashionable has led to the rapid growth of the apparel category. Though in the early days people were not brand conscious and believed in „buy and stitch“ approach later on with rapid urbanization the trend has been shifted to readymade wear and liking towards branded apparel also increase. With the 2006 FDI policy allowing 51 percent investment in single brand retailing, exclusive brand outlets have witnesses a rapid growth. Players in organized retail apparel format include Shoppers stop, Lifestyle, Provogue, Spykar, Levi"s, The Loot etc. In order to achieve success the players must focus on delivery of affordable and accessible fashion and provide value added service to keep customers coming back for more.

## **3. Consumer Durable**

The consumer durable market can be stratified into consumer electronics including T.V sets, audio system, VCD players and others; and appliances like washing machine, microwave ovens, air-condition etc. Split air conditioners, frost-free refrigerators, fully automatic washing machines, microwave ovens, air-condition etc. Split air conditioners, frost- free refrigerators, fully automatic washing machines, microwave ovens and high-end flat panel TVs are likely to have a healthy growth. The Indian middle class, defined by National Council of Applied Economic Research (NCAER) as households with annual income of between Rs.2.5 lakh and Rs.5 lakh, has been driving consumption of goods such as cars, refrigerators and colour TV sets.

The consumer electronics retail business in India is characterized by low margins but is expected to improve with increasing focus on private labeling and

better after sales service. Today consumer also prefer organized retail stores in durables and electronics as retailers offer entire range of products under one roof, convenience, good in-store service and so on. Reliance, digital Croma are some of the organized retailers who offer huge range of products under one roof.

#### **4. Furniture and furnishing**

The entry of international brands and changing consumer preference has led to the emergence of furniture retailing in India. The size of Indian furniture retail is increasing though furniture sector in India makes only a marginal contribution to GDP, representing about 0.5 percent of the total GDP. The home furnishing and furniture market in India is estimated at US \$ 8 billion in the year 2011 and expected to grow to US \$ 17 billion by the year 2016. Major players in this segment are Godrej Lifespace, Home Stop and Home Town.

#### **5. Beauty, wellness and pharmacy**

Beauty and wellness category has been showing rapid growth over past few years. This category in India is primarily targeted at the female audience, leaving a huge untapped potential for men's products and services. Major beauty and wellness retailers are Reliance Wellness, Himalaya Drugs, Apollo Pharmacy and MedPlus.

#### **6. Mobile handsets, Accessories & Services**

The increasing penetration of mobile phones have offered opportunities in handsets and accessories as well as recharge cards and repair service retailing. The mobile handset market expects the revenue to rise from US \$ 255 billion to US \$ 350 billion by the year 2016. The smartphone market is expected to grow ten times to 30 million units by the year 2016 from above 2.9 million units in the year 2011. According to Telecom Regulatory Authority of India, India crosses 800 million telecom subscribers at the end of January 2011 and also added 18.99 Million new mobile subscribers in January to take total mobile subscriber count to 771.18 million.

## **7. Catering Services**

This segment constitutes about 7 percent of the Organized Retail Market. The key to success factor for Organized Retailers are quality, ambiance and differentiated product offerings. Due to changes in life style, the life of people has become very fast. This has led to an increase in the number of restaurants and fast food points to a large extent. Indian people prefer a change in taste from the routine Indian traditional taste and as such prefer international cuisines such as Chinese, Italian, Thai and Mexican. So majority of multinational foodservice chains such as Pizza Hut, Mainland China have adopted franchising route to set-up their operation in India. Few catering service retailers are Yum! Restaurants, McDonald's and Café Coffee Day.

## **8. Books, Music and Gifts**

This segment constituted 3 percent of the Organized Retail market with most of the penetration being limited to urban areas. Key players in this segment include Planet M, Music World, landmark, Archies and so on. Pirated books and music have always been a source of problem for this sector and will continue to be so in near future.

## **9. Footwear**

The changes in consumer behavior and attitudes are reflected in the increasing demand for new styles and different types of footwear. The market currently offers many brands that cater to every target segment. The Indian footwear market is moving at a brisk pace presently to cater to the domestic demand. Moreover, the international brands are inducing the price-conscious customers to spend more money for their favorite brands. Footwear retailers are Reebok and Bata.

## **10. Jewellery**

India possesses world's most competitive jewellery market. Major jewellery players are Gitanjali, Tanishq and Reliance Jewels

## 11. Entertainment

The contribution of this segment in organized retail industry is around 3percent. This segment has been driven by the increasing base of young population in India, whose entertainment needs has been surging with the influx of malls and multiplexes that provide leisure retail, gaming, and cinema. Players in the segment are likely to gain greater market share as the consumer's spending on entertainment is increasing. PVR cinemas, Fun Cinemas,Inox are the major players in the entertainment retailing space.

### Organized Retail Penetration in India

Organised Retail Penetration (ORP) in India is low (7 per cent)when compared with that in other countries such as the US (85 per cent). This indicates strong growth potential for organised retail in India.

Table 3.4

*Country wise organized retail penetration*

Organized Retail Penetration level ( In Percentage )	
1. USA	85
2. France	80
3. Japan	66
4. Malaysia	55
5. Brazil	36
6. Russia	33
7. China	20
8. India	7

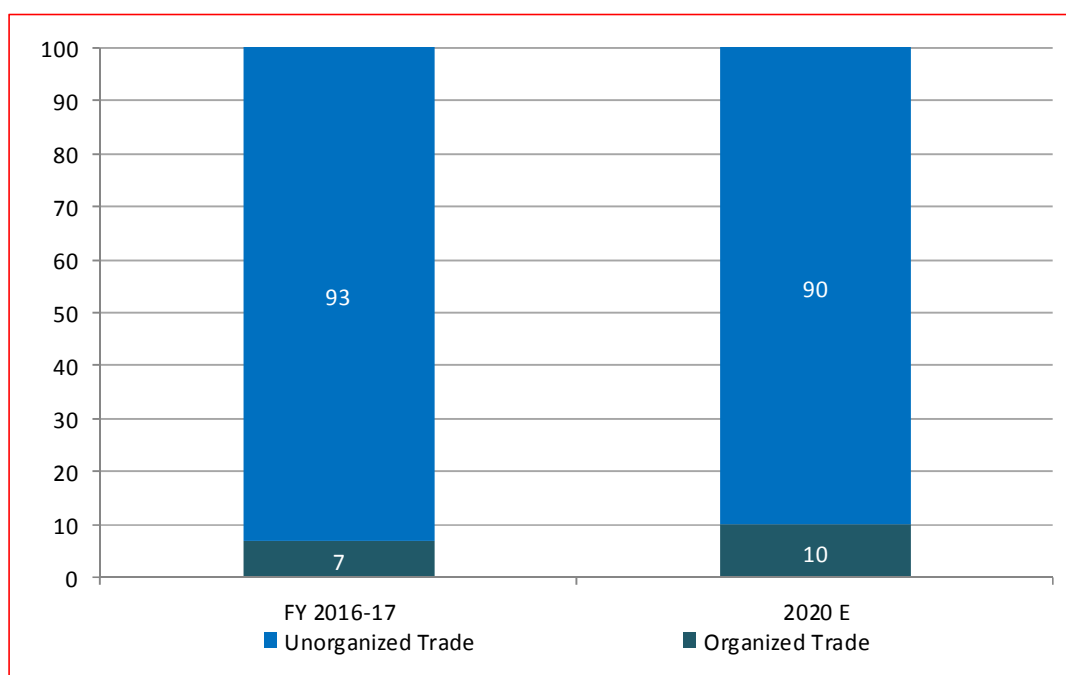
Source: IBEF Retail November 2016

The organized retail is at an emerging stage with the current penetration of 5 percent when compared to the 85 percentage of USA. Though the figure of 5 percent is not impressive, on the other side it represents that Indian Organized retail industry has huge potential to grow in the near future.

### Contribution of Organized Retail in Indian Retail Industry

The Indian retail market is in its nascent stage; organised players accounted for 7 per cent of the market during FY 2016-17. There are over 15 million mom-and-pop stores. The organised retail in India is growing at a CAGR of 20-25 per cent per year.

Figure 3.17: Scope for organized expansion



Source: IBEF

In 2020, it is estimated that organised retail penetration share would reach 10 per cent and unorganised retail penetration would hold a major share of 90 per cent. The unorganised retail sector in India has huge untapped potential for adopting digital mode of payments, as 63 per cent of the retailers are interested in using digital payments like mobile and card payments.



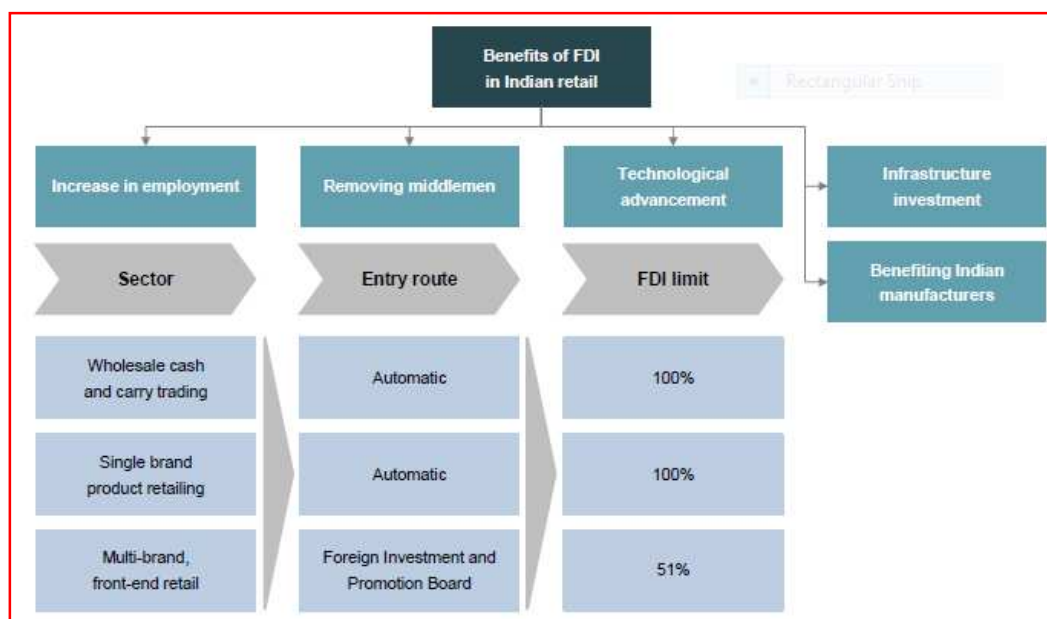
The arrival of organised retail in developing countries occurred in three successive waves Invalid source specified.. The first wave took place in the early to mid-1990s in South America, East Asia outside China, North-Central Europe and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America, Southeast Asian countries, Southern-Central Europe. The third wave has just begun in the late 1990s and early 2000s in parts of Africa, some countries in Central and South America, Southeast Asia, China, India, and Russia.

Thus, the third wave countries are late comers in the diffusion of modern retail. The main reason why these countries lagged behind might be the severe restrictions on foreign direct investment (FDI) in retailing in these countries.

### **FDI in Retailing in India**

Foreign Direct Investment, or FDI, is a type of investment that involves the injection of foreign funds into an enterprise that operates in a different country of origin from the investor. Between April 2000 to March 2010, Indian retail sector witnessed FDI inflows of nearly US \$ 1.8 billion (INR 7,799 crore) which comprised 1.54 percent of the total FDI inflows received during the period. In the year 1997, FDI in cash and carry wholesale trading was first permitted, to the extent of 100 percent, under the Government approval route (approval/license required). It was brought under the automatic route (no permission required) in the year 2006. As per the cash and carry structure commonly employed in India, the wholesale and retail entities are maintained as separate entities without any cross-shareholdings. The retail entity is owned and controlled by the Indian partner while the wholesale entity can be owned by the foreign partner up to 100 per cent. According to new comprehensive guidelines, whether a transaction is wholesale or retail would depend on the type of customers to whom the sale is made and not the size and volume of sales.

Figure 3.18: Benefits of FDI in retail sector



Source: IBEF

Prior to January 2006, Direct Investment (FDI) in retail trading was prohibited. On January 24, 2006, the Union Cabinet approved a major rationalization of the policy on FDI. Amongst various measures of rationalization and simplification was the partial opening up of the FDI route in the retail sector. The Cabinet approved FDI up to 51 per cent with prior government approval for retail trade in 'single brand' products. An FDI inflow of nearly US \$ 194 million (INR 900 crores) was received between April 2006 and March 2010, comprising 0.21 percent of the total FDI inflows under the category of single brand retailing.

On 24th November 2011, the government announced new FDI policy which stated that FDI in multi-brand retailer will be allowed up to 51 percent foreign equity through government approval route and 100 percent in single brand retailing. The policy rollout will cover only cities with a population of more than 1 million (As per 2011 census, there are only 53 such cities). The policy mandates a minimum investment of US \$ 100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigerator, transportation, packing, sorting and processing to considerably reduce the post harvesting losses and bring remunerative prices to farmers. Both multi-brand and single brand stores in India

will have to source nearly 30 percent of their goods from small and medium sized Indian suppliers. Now, state governments have the right to take decisions relating the same in their respective states.

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CHAPTER IV

# **PERCEPTION MANAGEMENT**

After getting an insight about the organized retailing, it is necessary to understand the consumer behaviour in this retailing context. This chapter describes in detail the process of consumer behaviour, the formation of perception-one of the important element of consumer behaviour, situational, individual and stimulus factors affecting perception, elements of perception management ,models and theories of perception management.

### **Consumer Behaviour**

In the words of Peter Drucker, Business exists to satisfy consumers. The existence of the customer is integral to the existence of the retailer. The ability to understand customer is the key to developing a successful retail strategy. An integral part of understanding customer is identifying the customers for the product or service i.e., the target segment and the demographics of this segment, their needs and buying behaviour.

While understanding the buying behaviour completely, may not really be possible it is in the best interest of the retailer to know his customers. The earliest attempt to study consumer behaviour centered on motivation research, which relies heavily on Fruedian techniques. Consumers can be studied in a variety of ways, including through observation, electronic surveillance, interviews, surveys, experimentation and sales analysis or consumption research. Firms must examine the demographics of the customers as well as the role of group influences and personal factors like attitude, belief, motivation etc. (Swapna pradhan, 2012).

It is also important to know how, when and where the customers use the product or service that the retailer sells. Paco Underhill in his famous book, “why we buy, the science of shopping”, brings out some key facts about how consumers buy and the various influences on them. The book brings out the key fact that most purchasing decisions are influenced and made on the shop floor itself. He highlights the fact that various aspects like signage, shelf position, display space and fixtures. All these influence the shopper with his buying decision.

The science of shopping is a hybrid discipline, part physical science and part social science and in fact, it is only part science because it is also an art. It is a practical field, concerned with providing information that can improve the retailers’ edge and the odds of making a wrong decision. Much of the value of this science lies in its ability to go beyond collecting data and making educated guesses about what it means and how best to respond.

### **Factors influencing the retail consumer**

The behaviour of retail shoppers is a subject of study across the world. In India, retailers and retail formats are still evolving. Ten years ago if a consumer wanted to buy soap his only option was the local bania or the Sahakari bhandhar or the fair price shop run by the government. Today, he can still buy the bar soap from the same places but he also has an option of going to Food world, Big bazaar, Foodland. Where will he buy? What are the reasons for his choosing one store over the other?

Understanding the reasons behind consumers choosing or patronizing a store is important for the retailer. An insight into what provokes a customer to visit and patronize a store helps the retailer in strategy formulation. Following are some of the factors which influence the customer’s decision making process.

- **Range of merchandise**

The range of merchandise is perhaps the most important reason for customers to patronize a particular outlet. If the merchandise is similar to that of another store or what is commonly available the customer may not see any reason

why he should not switch stores. The range of merchandise plays an important role in the case of categories like durables, books and music, apparel and other lifestyle products.

- **Convenience of shopping**

The element of convenience is fast gaining prominence in the world of organized retail. This is especially true in case of items like grocery, fruits and chemist. For example while buying medicines most patients would prefer to buy from the chemist near the doctor's clinic or near the hospital.

- **Time to travel**

The time required to reach a particular location is again fast becoming critical. This is especially true in the case of metros.

- **Socio economic background and culture**

The socio economic background of the consumer largely determines his lifestyle. This influence the kind of store that he may be comfortable for shopping .Consumer buying behaviour varies from market to market and is largely influenced by the culture of the region. For example Asian culture is very different from Indian culture.

- **The stage of family life cycle**

The stage of the family life cycle that the consumer belongs to also largely influences his needs. For example the needs of a younger bachelor will be different from the needs of a family with children in their teens which will again be different from the requirements of an elderly retired couple.

After understanding the factors that affect the customers buying process it is necessary for the retailer to understand the manner in which a customer makes a decision. This requires an understanding of consumer behaviour.

Steps involved in the consumer decision making process are



### **Stage 1: Identification of a need for the product or service**

This arises when the consumer becomes aware of his needs for a particular product or service. Typically, a consumer may realize that he needs a product when the current product that he is using does not meet his expectations or he is about to exhaust the stock that he has of a particular product or when he sees a product or advertisement for the same and feels the need to purchase it.

### **Stage 2: Search for information**

The second step involves the gathering of information on how to solve the problem. This search may be internal (from memory) or external (friends, family etc). The extent to which consumer needs to search for information depends on his current information levels and the perceived value of the additional information. Based on the information gathered, the consumer arrives at an evoked set or a consideration set of product or services that he may choose from.

### **Stage 3: Evaluating alternatives**

These evaluative criteria are used by consumers to consider different options. These would vary from person to person and may be influenced by the situation. It also depends on the product to be purchased, the occasion for purchase and the buying environment.

### **Stage 4: The purchase decision**

At this stage, the decision that is made first is whether to buy or not. It is possible to get close to a purchase but abort the decision to buy for a number of reasons such as being declined for financing, getting “cold feet”, a stock out, or other reasons. The next factor has to do with in store influences. Numerous displays in a store may cause a person to change his mind while in the store or perhaps a sales clerk may convince him to change brands or even the amount he has planned to spend. Typically, consumers are influenced by various factors while determining the products or service that they finally select.

We have already seen that there are many factors which influence the decision-making of consumers. There are various consumer models which help in the understanding of consumer behaviour. These are listed below. We shall discuss these briefly.

1. Economic Model
2. Psychological Model
3. Pavlovian Model
4. Input, Process Output Model—Gandhi: Philip Kotler
5. Sociological Model
6. Howarth Sheth Model
7. Engel-Blackwell-Kollat Model
8. Model of Family Decision-making
9. Nicosia Model
10. A Model of Industrial Buying Behaviour.

### **1. Economic Model**

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximising his gains. Economic man model is based on:

**Price effect:** Lesser the price of the product more will be the quantity purchased.

**Substitution effect:** Lesser the price of the substitute product, lesser will be the utility of the original product bought.

**Income effect:** When more income is earned or more money is available more will be the quantity purchased.

This model, according to behavioural scientists is not complete as it assumes the homogeneity of the market, similarity of buyer behaviour and concentrates only on the product or price. It ignores all the other aspects such as perception, motivation, learning, attitudes personality and socio-cultural factors. It is important to have a multi-disciplinary approach as human beings are complex entities and are influenced by external and internal factors. Thus, price is not the only factor influencing decision-making and the economic model, according to scientists have shortcomings.

## 2. Psychological Model

Psychologists have been investigating the causes which lead to purchases and decision-making. This has been answered by A.H. Maslow in his hierarchy of needs. The behaviour of an individual at a particular time is determined by his strongest need at that time. This also shows that needs have a priority. First they satisfy the basic needs and then go on for secondary needs. The purchasing process and behaviour is governed by motivational forces. Motivation stimulates people into action. Motivation starts with the need. It is a driving force and also a mental phenomenon. Need arises when one is deprived of something. A tension is created in the mind of the individual which leads him to a goal directed behaviour which satisfies the need. Once a need is satisfied, a new need arises and the process is continuous.

*Figure 4.1: Psychological Model*



### 3. Pavlovian Learning Model

This model is named after the Russian Physiologist Ivan Pavlov. He experimented on a dog and observed, how it responded on the call of a bell and when presented with a piece of meat. The responses were measured by the amount of saliva secreted by the dog. Learning is defined as the changes in behaviour which occur by practice and based on previous experience. This is important to marketers as well.

The learning process consists of the following factors:

#### **Drive**

This is a strong internal stimulus which impels action. Because of the drive a person is stimulated to action to fulfill his desires.

#### **Cues**

This can be innate (in-born) which stems from physiological needs such as hunger, thirst, pain, cold, sex, etc. Cues are weak stimuli that determine when the buyer will respond. We have:

- (a) **Triggering Cues:** These activate the decision process for any purchase.
- (b) **Non-triggering Cues:** These influence the decision process but do not activate it.

These are of two kinds:

1. *Product cues* are external stimuli received from the product directly, e.g., colour of package, weight, style, price, etc.
2. *Informational cues* are external stimuli which provide information about the product, like advertisement, sales promotion, talking to other people, suggestions of sales personnel, etc.

*Response* is what the buyer does, i.e., buy or does not buy.

## **Reinforcement**

When a person has a need to buy, say clothing and passes by a showroom and is attracted by the display of clothing, their colour and style, which acts as a stimulus and he makes a purchase. He uses it and if he likes it, reinforcement takes place and he is happy and satisfied with the purchase. He recommends it to his friends as well, and visits the same shop again. Learning part thus is an important part of buyer behaviour and the marketer tries to create a good image of the product in the mind of the consumer for repeat purchases through learning.

## **4. Input, Process and Output Model**

This is a simple model of consumer behaviour in which the input for the customer is the firm's marketing effort (the product, price, promotion and place) and the social environment. The social environment consists of the family, reference groups, culture, social class, etc. which influence the decision-making process. Both these factors together constitute the input in the mind of the consumer.

## **Need recognition**

When one is aware of a want, tension is created and one chooses a product to satisfy his needs.

There is also a possibility that a person may be aware of a product before its need is recognised.

This is indicated by the arrows going both ways from the need to the product and vice-versa.

## **Product awareness**

Product awareness can be had from advertisement or exposure to different types of media or by the social circle. The awareness and the need lead to the building of an interest. In some cases, the interest may also breakdown and the decision process also stops or may be postponed for the time being.

## Evaluation

Evaluation may consist of getting more information about the product and comparing and contrasting it with other products. This can be done theoretically or by taking a trial. Once the evaluation is completed, the consumer's interest may either build up and he has intentions to buy or he may lose interest and the decision process may again stop or be postponed.

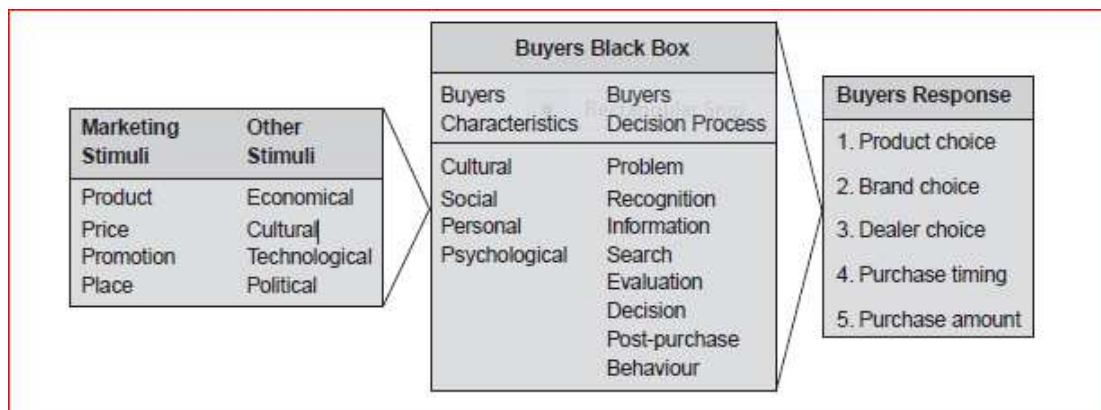
## Intention

Once there is intention to purchase the product, the consumer goes ahead and acts or purchases the product. Once the product is purchased, it is used to fulfill the need and, the more the product is used, the more the consumer becomes aware of the positive and negative points of the product.

## Post-purchase behaviour

If, after the purchase and use of the product the customer is satisfied, he is happy and goes in for repeat purchases or recommends the same to his friends and acquaintances. If, however, the customer is dissatisfied, he discontinues further purchase of the product and builds a negative attitude towards it which may be harmful to the company. The post-purchase behaviour is very important for the marketer and the company because it leads to proper feedback for improvement and maintaining the quality and features desired by the product. If the customer is very happy with the purchase he forms a good impression about the product and the company.

Figure 4.2: Stimulus-Organism-Response Models



The above figure shows three stages in terms of stimuli, buyer's black box and buyer's response. The consumer gets the input from the marketing effort of the firm (4 Ps) and the other stimuli. This input is processed in the mind (Black Box), which constitutes the characteristics of the buyer and the process of decision-making. Once the buyer has decided to buy, he responds in terms of his choice of product, brand, dealer, timing and amount. The post-purchase behaviour of being satisfied or dissatisfied is also important and is shown in the decision-making process.

## **5. Sociological Model**

This is concerned with the society. A consumer is a part of the society and he may be a member of many groups in a society. His buying behaviour is influenced by these groups. Primary groups of family, friends and close associates exert a lot of influence on his buying. A consumer may be a member of a political party where his dress norms are different. As a member of an elite organisation, his dress requirements may be different, thus he has to buy things that conform to his lifestyles in different groups.

## **6. Howarth Sheth Model**

This model is slightly complicated and shows that consumer behaviour is a complex process and concepts of learning, perception and attitudes influence consumer behaviour. This model of decision-making is applicable to individuals. It has four sets of variables which are:

- (i) Input
- (ii) Perceptual and learning constructs
- (iii) Outputs
- (iv) Exogenous or external variables.

### **Input**

Some inputs are necessary for the customer for making decisions:

These inputs are provided by three types of stimuli as shown in Fig.

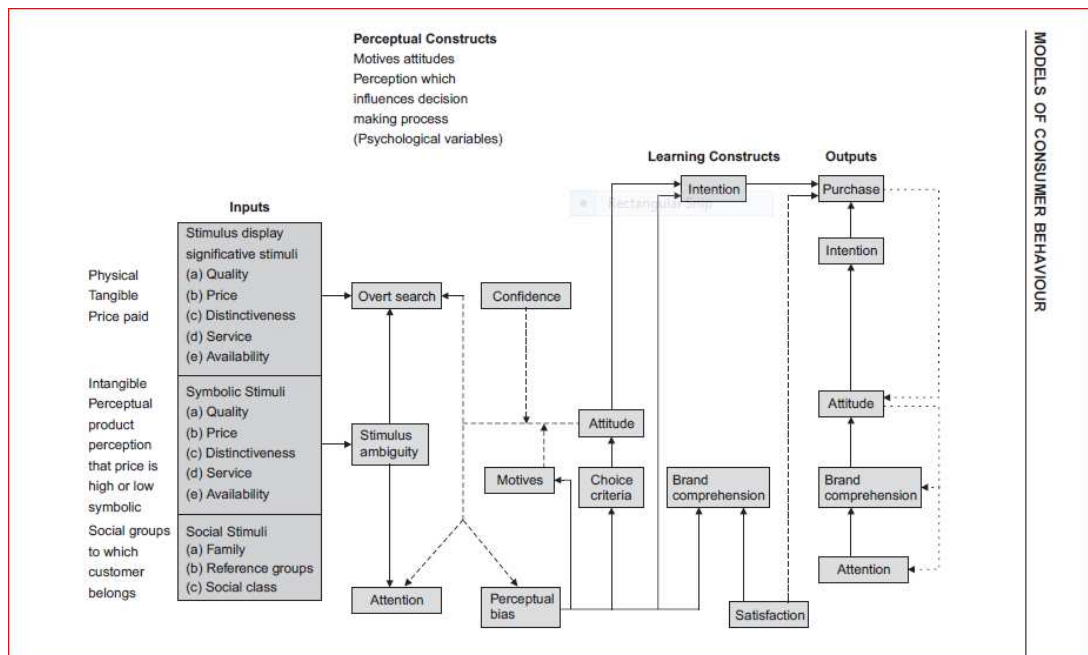
- (a) *Significative stimuli*: These are physical tangible characteristics of the product. These are price, quality, distinctiveness, services rendered and availability of the product. These are essential for making decisions.
- (b) *Symbolic stimuli*: These are the same as significative characteristics but they include the perception of the individual, *i.e.*, price is high or low. Quality is up to the mark or below average. How is it different from the other products, what services can the product render and, what is the position of after sales service and how quickly or easily is the product available and from where?
- (c) *Social stimuli*: This is the stimulus provided by family, friends, social groups, and social class. This is important as one lives in society and for the approval and appreciation of the society, buying habits have to be governed.

### **Perceptual and learning constructs**

These constructs are psychological variables, *e.g.*, motives, attitudes, perception which influence the consumer decision process. The consumer receives the stimuli and interprets it. Two factors that influence his interpretation are stimulus-ambiguity and perpetual bias. Stimulus ambiguity occurs when the consumer cannot interpret or fully understand the meaning of the stimuli he has received, and does not know how to respond. Perceptual bias occurs when an individual distorts the information according to his needs and experiences.



Figure 4.3: Howard Sheth Model



These two factors influence the individual for the comprehensions and rating of the brand. If the brand is rated high, he develops confidence in it and finally purchases it.

### Output

By output we mean the purchase decision. After purchase there is satisfaction or dissatisfaction. Satisfaction leads to positive attitude and increases brand comprehension. With dissatisfaction, a negative attitude is developed. The feedback shown by the dotted line and the solid lines shows the flow of information.

### Exogenous or external variables

These are not shown in the model and do not directly influence the decision process. They influence the consumer indirectly and vary from one consumer to another. These are the individual's own personality traits, social class, importance of purchase and financial status. All the four factors discussed above are dependent on each other and influence the decision-making process. The model though complicated deals with the purchase behaviour in an exhaustive manner.

## **7. Engel-Blackwell-Kollat Model**

It consists of four components:

- (i) Information processing
- (ii) Central control unit
- (iii) Decision process
- (iv) Environmental influences.

### **Information processing**

As shown in the diagram the information processing consists of exposure, attention, comprehension and retention of the marketing and non-marketing stimuli. For successful sales, the consumer must be properly and repeatedly exposed to the message. His attention should be drawn such that he understands what is to be conveyed and retains it in his mind.

### **Central control unit**

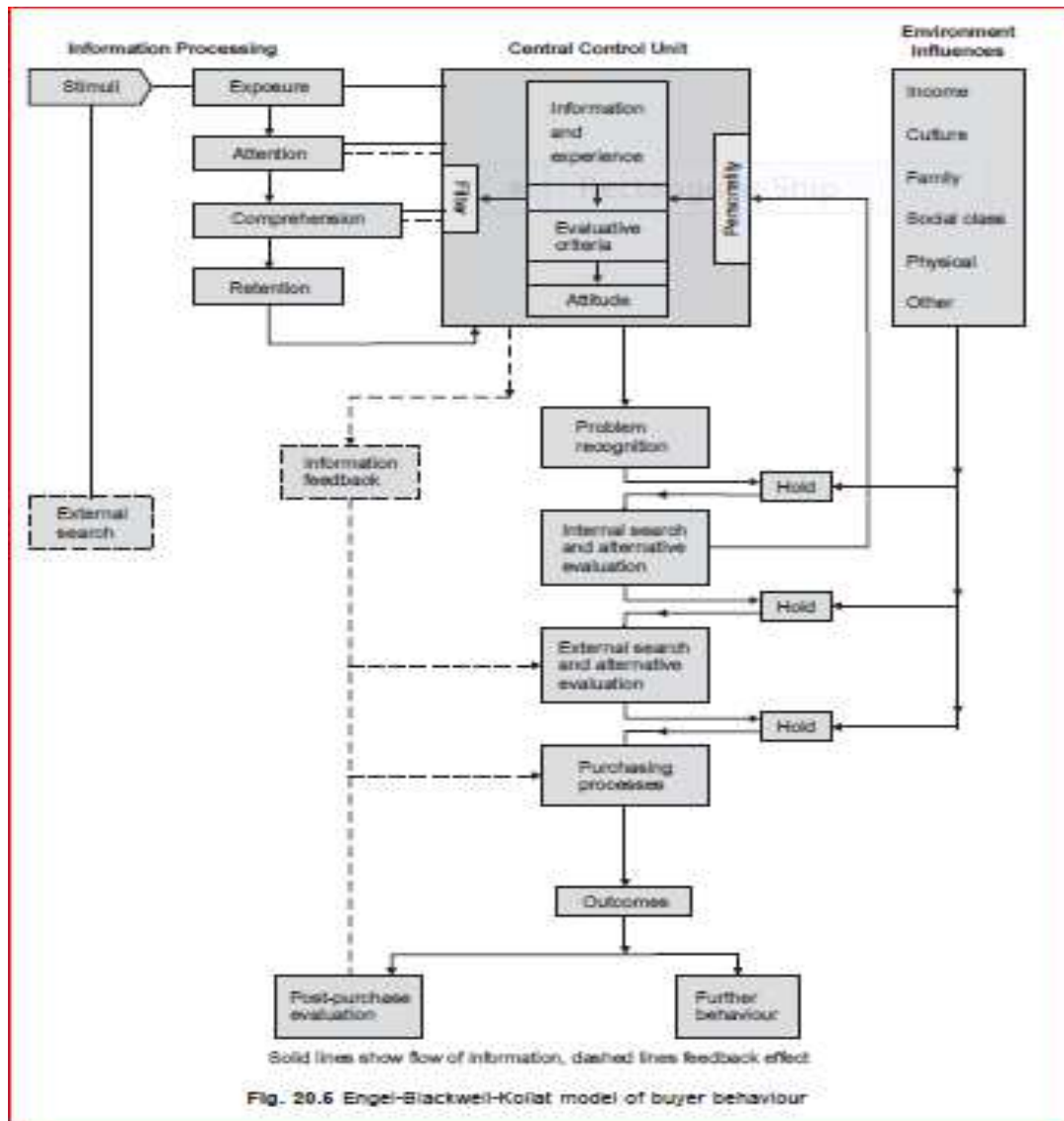
The stimuli processes and interprets the information received by an individual. This is done by the help of four psychological factors.

- (a) Stores information and past experience about the product which serves as a standard for comparing other products and brands.
- (b) Evaluative criteria which could be different for different individuals.
- (c) Attitudes or the state of mind which changes from time to time, and helps in choosing the product.
- (d) The personality of the consumer which guides him to make a choice suiting his personality.

## Decision process

The decision outcome or the satisfaction and dissatisfaction are also an important factor which influences further decisions.

Figure 4.4: Engel Blackward Kollat Model



The decision process may involve extensive problem solving, limited problem solving or routinized response behaviour. This depends on the type and value of the product to be purchased.

## **Environmental influences**

The environmental influences are also shown in a separate box and consist of income, social class, family influences, social class and physical influences and other considerations. All these factors may favour or disfavour the purchase decisions.

### **8. Model of Family Decision-making**

In a family decision-making model, it is important to understand how the family members interact with each other in the context of their consumer decision-making. There are different consumption roles played by various members of the family. These roles are as follows:

#### **(i) Influencers**

The members who influence the purchase of the product by providing information to the family members, the son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.

#### **(ii) Gate keepers**

These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and withhold information about other product which they do not favour.

#### **(iii) Deciders**

These are the people who have the power or money and authority to buy. They play a major role in deciding which product to buy.

**(iv) Buyers**

Buyers are the people who actually buy. For example, a mother buying ration for the house.

**Preparers**

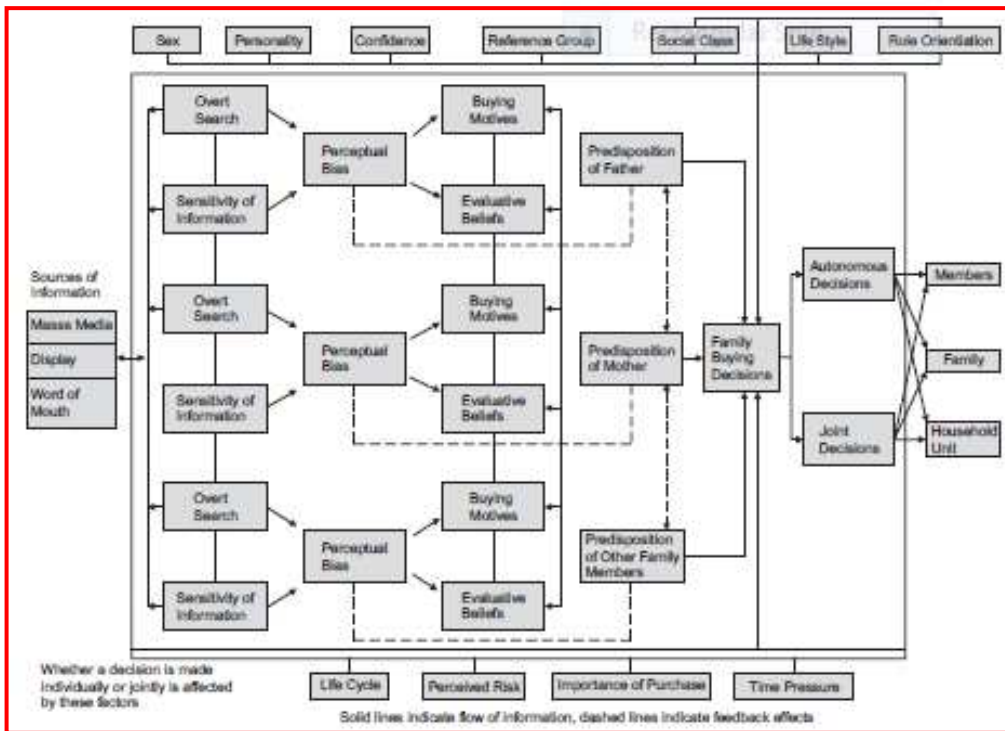
Those who prepare the product in the form it is actually consumed. Mother preparing food by adding ingredients to the raw vegetable, Frying an egg for consumption, sewing clothes for the family, etc.

**User**

The person who actually use or consume the product. The product can be consumed individually or jointly by all the members of the family. Use of car by the family, use of refrigerator TV, etc. The role that the family members play varies from product to product. Some products do not involve the influence of family members—vegetables bought by the housewife.

She can play many roles like that of a decider, preparer as well as the user. In limited problem solving or extensive problem solving there is usually a joint decision by family members. The diagram shows the predisposition of various family members, which when influenced by other factors leads to joint or individual decisions. These factors are shown in the diagram and consist of social class, lifestyle, role orientation, family life-cycle stage, perceived risk, product importance and time pressure.

Figure 4.5: Model of Family Decision Making

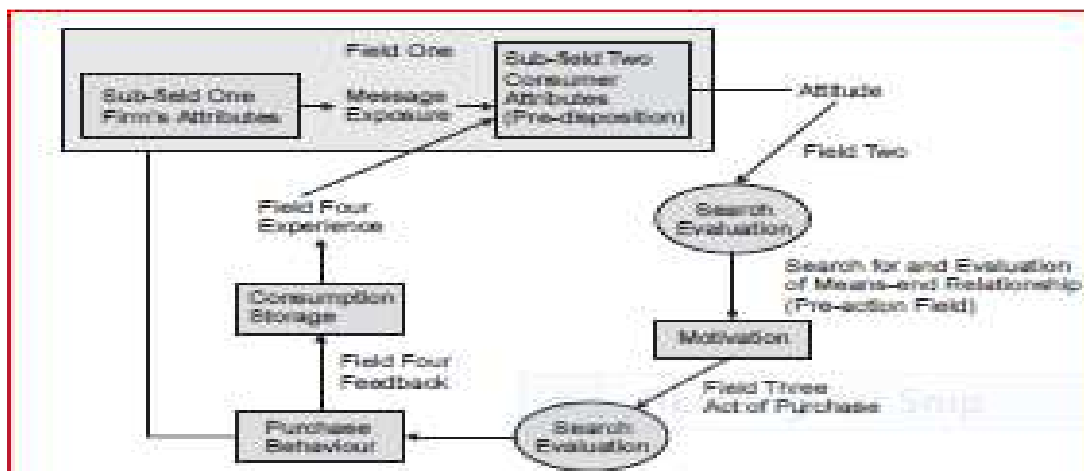


## 9. Nicosia Model

This model explains the consumer behaviour on the basis of four fields shown in the diagram.

The output of field one becomes the input of field two, and so on.

Figure 4.6: Nicosia Model



Field one consists of subfields one and two. Subfield one is the firm's attributes and the attributes of the product. The subfield two is the predisposition of the consumer and his own characteristics and attributes, which are affected by his exposure to various information and message, and is responsible for the building of attitude of the consumer. Field two is the reaction field, where the consumer goes on for research and evaluation and gets motivated to buy the product. It highlights the means and end relationship. Field three is the act of purchase or the decision-making to buy the product. The customer buys the product and uses it. Field four highlights the post-purchase behaviour and the use of the product, its storage and consumption. The feedback from field four is fed into the firms' attributes or field ones and the feedback from the experience is responsible for changing the pre-disposition of the consumer and later his attitude towards the product. Nicosia Model is a comprehensive model of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behaviour of the consumer.

After a detailed analysis of the various consumer behaviour models, the present study analyse one of the basic elements of consumer behaviour – perception. A thorough understanding about management of perception is inevitable in the study context, as it is related to perception management of organized retail consumers.

### **Perception management – An introduction**

Before managing the perception, it is good to take note of how perceptions are formed.

## **PERCEPTION**

### **The world surrounding us**

*“One lives the idea, not the reality”*

ELEUTERIO MANERO

Each one of us perceives the world around us in different ways. We act or react on the basis of our perception rather than objective reality (Leon G Schiffman L. L., 2012). For example, if one person on a hillside perceives that it is cold, he will

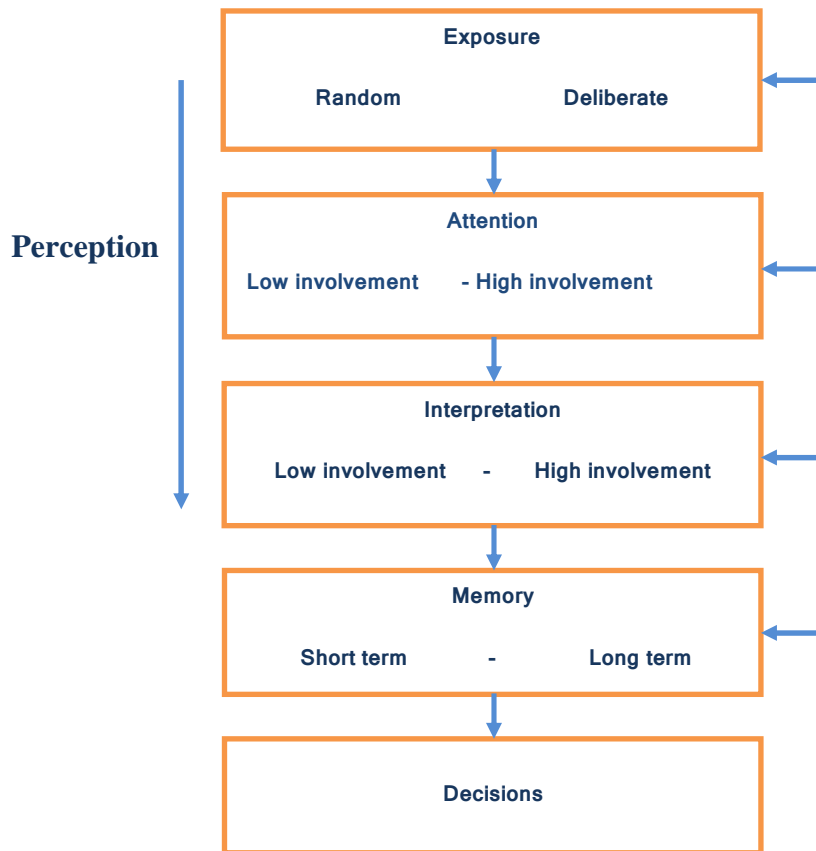
wear his sweater, On the other hand, if the person standing next to him perceives that it is warm, he will remove his sweater. These contrasting behaviours can be witnessed happening at the same time, regardless of the actual ambient temperature as measured by a thermometer (Arun, 2012). For each individual, reality is totally a personal phenomenon, based on that person's needs, wants, values and personal experiences (Schiffman 2012). Therefore, it is clear that to understand an individual's behaviour, we need to know something of the elements in their perceptual world and the pattern of information and other cultural influences that have shaped that world.

### **Perceptual process**

From the very second we wake up, external reality floods our mind through five senses. We receive millions of stimuli throughout the day(Martinez, 2012)our sensory apparatus is bombarded with vast amount of information; we are not passive recorders of this sensory data, rather than constantly shifting and sorting this stream of information, making sense of it and interpreting it. Therefore it can be said that perception is information processing activity (Arun, 2012). Information processing is a series of activities by which stimuli are perceived, transformed into information and stored. Figure 1 illustrate a useful information processing model having four major steps or stages; Exposure, Attention, Interpretation and Memory. The first three of these constitute perception (Hawkins & Coney).



Figure 3.7: Perceptual Process



### EXPOSURE TO STIMULI (SENSATION)

Exposure occurs when a stimulus comes within the range of our sensory receptor nerves; of course people are also exposed to large number of stimuli on a more or less random basis during their daily activities (Del L Hawkins D. L., 2014). Sometimes an individual can be exposed to only a minuscule fraction of the available stimuli. At Other times people deliberately seek out exposure to certain stimuli and avoid others (Selective exposure). Sensitivity to stimuli varies among individuals and depends on the quality of sensory receptors and differentiation of input.

## **Absolute Threshold**

The lowest level at which an individual can experience a sensation is absolute threshold. At this level an individual can detect a difference between “something” and “nothing” and this point would be that individual’s absolute threshold for that stimulus. For instance, one individual may sense the sound pitch at 20 cycles per second and the second individual may sense the sound pitch at 30 cycles per second. Absolute threshold for sound in case of these two individuals would be different.

## **Differential Threshold**

Differential threshold is the smallest noticeable difference between two values of the same stimulus. Consumers are exposed to number of stimuli of a product category; the ability of an individual to discriminate between these similar stimuli (**sensory discrimination**) is based on the **Just noticeable difference (J.n.d)** (minimum amount that one brand can differ from another with the difference still being noticed). Marketers seeking to find a promotable difference between their brand and a competitor’s must surpass the j.n.d in order for the change to be noticed by consumers (Del L Hawkins, 2014).

## **ATTENTION**

*“Mental power is achieved like physical power, through constant exercise”.*

CHARLES FRANCIS HANEL

Attention occurs when the stimulus activates one or more sensory receptor nerves and the resulting sensation go to the brain for processing (Del L Hawkins, 2007).The same individual may devote different levels of attention to the same stimulus in different situations.

## **Incidental Exposure and Nonfocused Attention**

Incidental exposure implies that a stimulus attain minimal attention while processing more relevant information (S Shapiro, 1997). Eventhough the stimuli are

attended without conscious focusing, still it has an enhanced probability of being considered for purchase. Some messages are presented so fast or so softly or so masked by other messages that one is not aware of seeing or hearing (**subliminal stimuli**). Anyhow it is strong enough to be perceived by one or more receptor nerves. Here people perceive stimuli without being consciously aware that they are doing so. Attention is like a spotlight highlighting the stimulus. It is like torch lighting up the visual field. Paying attention means picking out the specific information and discarding the rest.

### **Psychophysiological basis for attention**

Attention is fairly complicated mental function involving various areas of the brain. Hemisphere lateralization” is a term applied to activities that take place on each part of the brain. The right side of the brain deals with images and impressions. It is the right brain’s picture taking ability that permits the rapid screening of the environment- to select what it is the left brain should focus on(i.e., the left part of the brain controls rational thoughts)(Del L Hawkins,2007).

In general there are three main systems taking part(Martinez, 2012):

1. The arousal or alert system.
2. Posterior or perceptive attention-this means choosing information according to priority; it involves the right parietal lobe.
3. Anterior or supervisory attention which takes charge of regulating the direction and object of attention.

We did not discuss what happens between attention to some stimuli and the subsequent formation of perception. This is the domain of comprehension in which interpretation of stimulus happens. It is the point at which meaning is attached to the stimulus. This meaning depends on what occurs during stimulus processing(Roger D Blackwell, 2002).

## INTERPRETATION

Interpretation is related to how we comprehend and make sense of incoming information based on characteristics of the stimulus, the individual and the situation. It is a relative process (**Perceptual relativity**). It is often difficult for people to make interpretation in the absence of some reference point (Del L Hawkins, 2014). In line with the notion of relativity, consumers interpreted the print price as lower when it is followed by the higher priced items (Stafford, 2000).

It also tends to be subjective and open to a host of psychological biases. There may be a discrepancy between the *semantic meaning* assigned to a word and the *psychological meaning* assigned by the individuals. Owing to the fact that an individual assigned meaning to a word based on his experience, expectations and the context in which the term is used. A firm may introduce a high quality new brand at a lower price than competitors for the reason that the firm is more efficient. In spite that, if consumers interpret the lower price to mean lower quality, the new brand will not be successful regardless of the objective reality (D Grewal, 1998).

Interpretation can be *cognitive* or *affective*. Cognitive interpretation is a process whereby stimuli are placed into existing categories of meaning (M. Viswanathan, 1999). The addition of new information to existing categories also alters those categories and their relationship with other categories. When mobile phone was first introduced, most of the consumers probably grouped them in the general category of telephone. With further experience and information, many consumers have gained detailed knowledge about the product and have formed several categories for classifying such as smart phones, 3G phones etc.

How does one categorize the robot when it is being exposed for the first time? It does not easily fit into computers or any smart device category. Instead consumers may be required to develop a new category borrowed from several others such as some product attributes of computer softwares, remote control, sensors etc. Unless provided explicit help by marketers, this may slowdown the understanding and acceptance of the product (**D Grewal 2001**).

*Affective interpretation* is the emotional or feeling response triggered by the stimulus. It can range from positive (exciting, warm) to neutral (disinterested) to

negative (Anger, fear). There is also individual variations to these responses. Consumers confronting new products or services often assign those into emotional as well as cognitive categories ((J Z Sojka, 1997).

Interpretation is a function of *gestalt or pattern* formation. A pattern of association around a particular concept is termed as *schema* (our schema contains product attributes, usage situation etc.). People tend to organize the numerous stimuli received from the environment into groups and perceive them as unified wholes (*Perceptual organization*).

Thus the perceived characteristics of even the simplest stimuli are viewed as a function of the whole to which the stimulus appears to belong (Leon G Schiffman, 2012). This pattern formation may be from personal experiences or may be from situational or stimulus factors.

### Factors affecting Perception

Different individuals may be exposed to the same stimuli under the same conditions but how each individual recognize the stimuli, select them, organize and interprets is unique in case of each person and depends on his needs, wants, values, beliefs, personal experiences, moods and expectations. Perception is also influenced by the characteristics of the stimuli such as size, colour and intensity etc. and the context in which it is seen or heard (Satish K Batra, 2008). The table below show the factors affecting perception.

Table 4.1

#### *Factors Affecting Perception*

<b>Stimulus</b>			<b>Individual</b>	<b>Situational</b>
<b>Size</b>	<b>Intensity</b>	<b>Interestingness</b>	<b>Motivation</b>	<b>Clutter</b>
<b>Position</b>	<b>Information quantity</b>	<b>Contrast and expectations</b>	<b>Ability</b>	<b>Program involvement</b>
<b>Isolation</b>	<b>Colour and movement</b>	<b>Attractive visuals</b>		

Source: Hawkins

## Individual factors

### Why different people respond differently in same situations?

*“The most derangement of the spirit is to believe things because we want them to be so”.*

- JACQUES BENIGNE BOSSUET

There are great variation between individuals in their sensitivity to stimuli as they differ in their needs, learning, traits and expectations. Our mind has a goal, an intention, a desire according to which we choose specific elements from the environment (Martinez, 2012). Generally, consumer motivation and ability are the major individual aspects affecting attention.

**Motivation** drives the interest and needs which induce product involvement that can be temporary or enduring. Either way, product involvement motivates attention (Del L Hawkins R. J., 2007). For internally motivated consumers external influences are able to play barely a minor role. **Ability** is related to the knowledge and familiarity with the product, brand or promotion. Those with high familiarity need less attention. When the mind is too accustomed to a stimulus, it stops responding, a psychological mechanism known as habituation. This is why very dynamic brands have to continue reinventing, innovating and surprising consumers in a positive way (Martinez, 2012).

Individuals assign meaning to stimuli based on their needs, desires, experience and expectations. **Learning** and **expectation** play a dominant role among these. **Learning** in this context refers to accumulation of life experiences. Rather than recovering faithful copies of these experiences, we recreate and reconstruct them, in the process adding feelings, beliefs, even knowledge gained after the experience to the reconstruction. Consumers base their interpretation of marketing messages on their own experiences and needs.

People's **expectations** are the result of learning, once established it can wield enormous influence and are hard to change. Many consumers expect, for example,

that well-known brands are of higher quality. As a result they usually compare performance of unknown brands with these well-known brands(Del L Hawkins R. J., 2007).

## **Stimulus Factors**

### **Why same people respond differently in different situations?**

The stimulus traits can seize the attention independent of individual and situational factors. The attention garnered by stimulus factors tend to be automatic (**Hawkins2014**). So even if you think you are not interested in a product, an attractive and colourful display may be hard to ignore. **Larger stimuli (Size)** are more noticed than smaller ones(Bouffard, 2004)as well as the **intensity** (loudness, brightness, length etc.) also increase attention (J R Rossiter, 2001). Individuals tend to be attracted by pleasant stimuli and repelled by unpleasant stimuli (**Attractive visuals**). Both **colour and movement** serve to attract attention, brightly coloured and moving items are more noticeable. Objects placed near the center of the visual field are more likely to be noticed than those near the edge of the field(C Gracia, 2000)and isolation of stimulus object is another mechanism(Olsen, 1995). The message presentation style and unexpected information content also receives more attention(Lee, 2000)likewise, **Interestingness** of the stimuli and the optimum information quantity in the stimulus field will exert influence on consumers.

The stimulus set provided by the marketers will have an effect on desired interpretation. The product, package, advertisement or sales presentation have a major impact on the nature of mental processes that are activated and on the final meaning assigned to the message(D E Sprott, 1998). For two decades marketers in a variety of industries have been building expertise in reaching consumers through the five senses-learning to deploy cues, such as the sting from a swig of mouthwash and scritch-scratch sound of a sharpie pen, that can intensify perceptions of brands(Krishna, 2013).

All aspects of the message itself influence interpretation. This can include the reaction to the overall style, visual and auditory background, and other verbal

and non-verbal aspects of the message as well as its explicit content. Without our conscious awareness, our bodily sensation helps to determine the decisions we make. (Krishna, 2013) Fascinated by certain questions like why does the wine taste better in a wine glass than in a water glass, the author realized that senses amplify one another when they are congruent in some way. Such influences are subtle-and that's exactly the reason why they are so powerful.

## **Situational Factors**

### **Why different people respond similarly in same situations?**

Situational factors consist of peripheral stimuli (eg. packaging, advertisement) and temporary attributes of the individual that are induced by the environment such as time pressures or a crowded store. **Clutter and program involvement** are the two major situational factors. Instore research suggest that cluttering the environment with too many point of purchase displays decrease the attention of consumers (Del H Hawkins, 2014).

Interpretation of the stimuli is influenced by the situational constituents both internal as well as external. Temporary characteristics of the individual such as hunger or loneliness influence the interpretation of a stimulus as do moods (Meloy, 2000). Likewise, physical characteristics of the situation such as temperature, perceived crowding, and external distractions affect how the message is interpreted. People conceived wrong interpretations to stimuli due to contextual influence. **Contextual priming effects** have an effect on marketing stimuli. The marketers should be cautious about it.

## **Perceptual Selection**

Human beings, sub consciously, is quite selective in their perception. In a market place, a consumer is exposed to numerous marketing stimuli, even though they make desired purchase without any disorientation. The reason is that we all unconsciously exercise selectivity in perception (Satish K Batra, 2008).



## **Adaptation**

Adaptation refers to gradual adjustments to stimuli to which consumers are exposed for longer periods. Because of adaptation, consumers do not notice the stimuli to which they have become adjusted. For instance an air-conditioned picture theatre feels quite cool in the beginning but after short time we adapt to temperature and become less aware of it.

## **Perceptual Vigilance and Defense**

Unpleasant, damaging or threatening stimuli have less of chance to be perceived compared to neutral stimuli at the same level of exposure. Consumers are also likely to modify or distort any information that is not consistent with their needs, wants, values or belief.

## **Perceptual Blocking**

Typically consumers screen out enormous amount of TV advertising by 'turning out'. The reason behind is that they protect themselves from being overburdened by blocking such numerous stimuli from their conscious awareness.

## **Perceptual Organization**

All the selected stimuli from the environment are not experienced as separate and discrete sensations. Individuals tend to organize these sensations into a coherent pattern and perceive them as unified wholes. Three most basic principles of perceptual organization focus on 'figure and ground' relationships, 'grouping' and 'closure'.

### **a. Figure and ground**

This is one of the most basic and automatic organizational process that perceivers use. People have a tendency to organize their perceptions into figure and ground relationship. In order to be noticed stimuli must contrast with their environment. We notice black against white and do not notice white in white.

## **b. Grouping**

Individuals have an inherent tendency to grouping or chunking a variety of information or items close to each other in time or space and form a unified picture. This tendency to group stimuli may result as a consequence of proximity, similarity or continuity.

## **c. Closure**

Individuals have a need for closure and fulfill it by organizing their perceptions in a manner that leads to the formation of a complete picture. In the event that they are exposed to a pattern of stimuli which in their view is incomplete, they tend to perceive it as complete by filling in the missing pieces.

## **Learning**

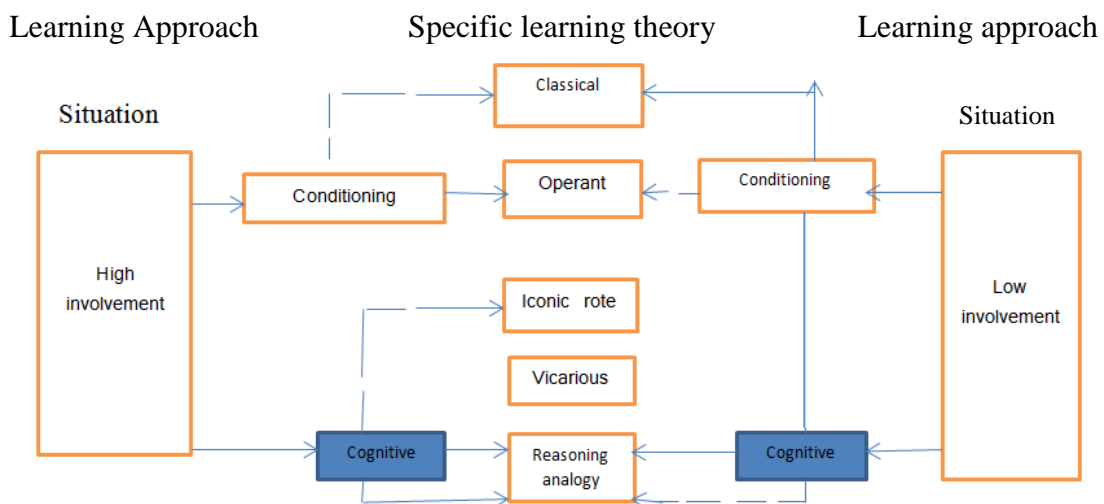
Learning is any change in the content or organization of long term memory or behaviour as a result of information processing(Michell, 1983). Our past experience leads to the development of perceptual expectations or perceptual sets which give us predispositions to perceive and to pay attention to some stimuli and to ignore other information. Memory is the total accumulation of prior learning experiences. It consists of two interrelated components: short term (working memory) and long term memory (permanent information storage)(Maltor, 1996).Information goes directly into short term memory for processing where two basic activities occur; **maintenance rehearsal** (hold current information) and **elaborative** activities (interpretation of current information).

People learn in various ways-which may be **high versus low involvement** learning. High involvement learning occurs when an individual is motivated to acquire the information whereas low involvement occurs when an individual is paying only limited or indirect attention to a message. Learning can also be classified as **conditioned or cognitive**. There are two forms of conditioned learning-**classical and operant**. Classical conditioning attempts to create an association between a stimulus (brand name) and some response (behaviour or feeling) and is generally of a low involvement in nature. Operant conditioning attempts to create an

association between a response (Buying a brand) and some outcome (satisfaction) that serves to reinforce the response and is generally of a high involvement in nature (Del L Hawkins, 2014). The cognitive approach to learning encompasses the mental activities of humans as they work to solve problems.

Perception and learning are highly interrelated. While we shop we may notice a favourite brand of soap due to the purchase goal stored in long term memory. The soap's current price is brought into the short term memory through the perceptual system for processing. But a reference price may also be retrieved from long term memory as a comparison point. Finally; price perceptions associated with their favourite brand may be updated and stored in long term memory as a consequence of the comparison process.

Figure 4.8: Learning Process



The above figure shows the two general situations and the five specific learning theories. Level of involvement is the primary determinant of how material is learned. The solid lines in the figure indicate that operant conditioning and analytical reasoning are common learning processes in high involvement situations. Classical conditioning and iconic rote learning tend to occur in low involvement situations. Involvement is a **motivational state** caused by consumer perceptions that a product, brand or advertisement is relevant or interesting. **Needs** play a strong role

in determining what is relevant or interesting to consumers(Zumda, 2016). We are more likely to perceive the stimuli that are motivating.

Each Individual has different internal traits related to action tendencies that are reflected in the **personality** of an individual which guides their behaviour in different situations. Our personality traits also predispose us to perceive the world in particular ways, to pay attention to some issues and events and human characteristics and not others.

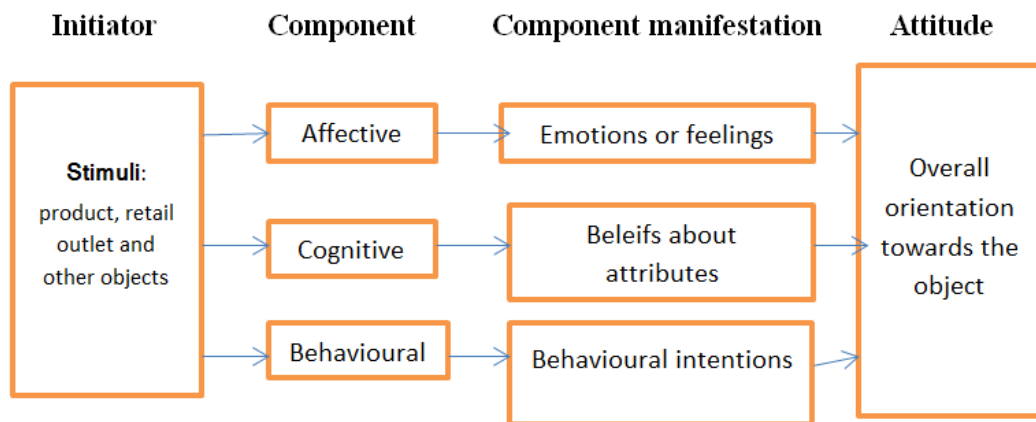
**Emotions** are closely linked to needs, motivation and personality. Unmet needs create motivation, which is related to arousal component of emotion. Unmet needs generally yield negative emotions while met needs yield positive emotions. Brands and their corresponding communications connect with consumers' positive emotions because they know that it is the best way to make an impact on them and enter into their minds. The emotional system is closely related to attention, memory and perception. The major dimensions of emotion are pleasure, arousal and dominance. Each of them has specific feelings associated with it.

Thus the internal factors - our past experience and what we have learned, our personalities, our motivations - contribute to the development of our expectations of the world around us, what we want from it, what will happen in it and what should happen. We tend to select information that fits our expectations and pay less attention to information that does not.

### **How Attitudes are formed**

An attitude is an enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspects of our environment. It is a learned predisposition to respond in a consistently favourable or unfavourable nature with respect to a given object. Thus, an attitude is the way one thinks feels and acts toward some aspect of his or her environment, such as a retail store, television program or product (R E Petty, 1997).

Figure 4.9: Attitude Formation



As figure illustrates, it is useful to consider attitudes as having three components: cognitive (beliefs), affective (feelings) and behavioural (response tendencies). A person may hold subjective judgment (belief) about various attribute of an object (**cognitive**) and he may react to an object emotionally (**affective**). The tendency of an individual to respond in a certain manner towards the attitude object constitute the **conative** component of attitude. The attitude of an individual towards himself constitutes the **self-concept** and how a person enacts his self-concept represents his **lifestyle**.

### Perception Management

*“Perception without conception is blind, conception without perception is empty”.*

- Weik 2007

Perception Management has recently been adopted as a post-Cold War term variously used to describe a range of activities including Military Deception, Psychological Warfare (PSYOPS), Propaganda, Media Operations, and Public Information. It is generally viewed as one of the key elements of the relatively new concept of Information Warfare/Operations, along with other activities such as Computer Network Attack and Information Assurance (Taylor, 2002).

Perception Management targets the human dimension in politics and conflict in a way that kinetic weapons cannot do. The official American military definitions for Perception Management and its constituent components are perfectly serviceable. Perception Management is understood to involve:

“Actions to convey and/or deny selected information and indicators to foreign audiences to influence their emotions, motives and objective reasoning; and to intelligence systems and leaders at all levels to influence official estimates, ultimately resulting in foreign behaviours and official actions favourable to the originator’s objectives (Jones, 1999).”

Clearly, there is both an active and a passive element to Perception Management; and there are also truth-telling and truth-corrupting aspects to it. The US Joint Staff’s definition goes on to say that: ‘In various ways perception management combines truth projection, operational security, cover and deception and psychological operations(Driscoll, 2000)’.The elements of Perception Management, conceptually, can be employed in the absence of the overt use of conventional weaponry (Dearth, 2002 )

*“A good psychological warfare executive is no different from a market research executive, except that the Psyops officer also likes to jump out of planes”.*

- Col. Layton Dunbar

Business is war. It is a metaphor attributed to the Japanese in the 1980’s and happily adopted by the American corporate leaders during the 1990’s. Business battles are not fought in mountains or caves, in deserts or the jungles. They are fought in boardrooms, on retail store aisles, on Wall Street, and in the hearts and minds of consumers. By embracing the military leadership ethos and strategic doctrines many businesses have thrived.

Today public relations is both a strategic and tactical weapon for companies and is used to drive sales, boost stock price, keep morale high among employees, and drive business relationships and partnerships. It is a key part of the marketing,

sales and advertising equation and companies spend millions on aggressive, outbound PR. Why the change?

Because business leaders recognized that the media is capable of doing things for you or doing things to you. Modern PR strategies, tactics and techniques, are now critical to the business marketing mix. PR and its media relations component have proven to be a tremendous force-multiplier for business compared to advertising or even direct sales. Marketing includes advertising, sales, direct mail, telemarketing (those annoying phone calls), competitive intelligence, consumer research, investor relations, community relations, PR and other functions designed to shape a company or product message and then disseminate it to various audiences. These marketing functions are all designed to cause or provoke a desired consumer or audience reaction (Ried2002). The ability to maintain that public support has been accomplished with various forms of marketing which the military refers to under the umbrella of Information Operations. Perception Management is a key component of Information Operations (Dearth, 2002 ). Public relation firms now offer perception management as one of their services.

Although perception management operations are typically carried out within the international arena between governments and between governments and citizens, use of perception management technique have become part of mainstream information management systems in many ways that do not concern military campaign or government relations with citizenry. As clearly evident in advertising and marketing campaigns, perceptions can be managed (Peter Callamari, 2003).

### **How Perceptions are managed?**

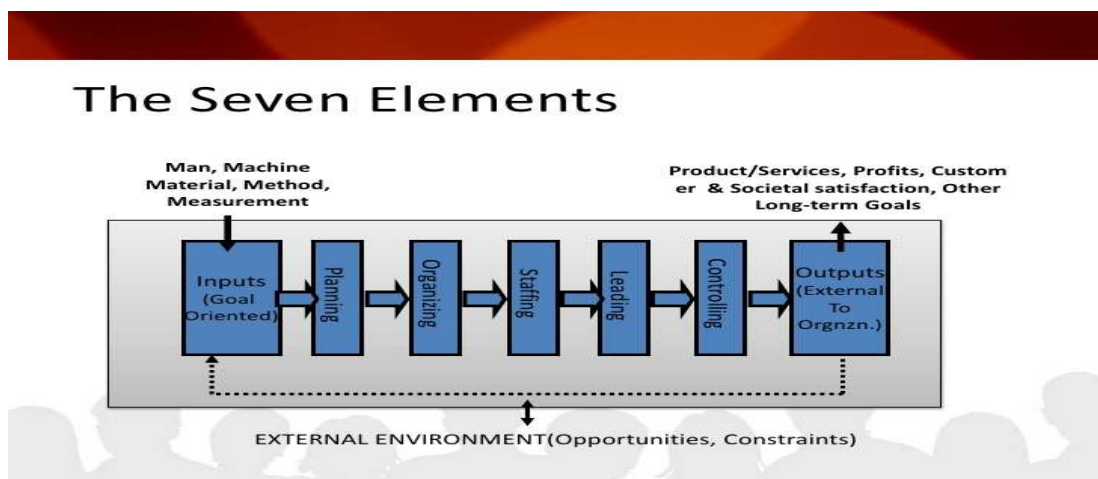
One of the most important human activities is managing. Ever since people began forming groups to accomplish aims they could not achieve as individuals, managing has been essential to ensure the coordination of individual efforts. The perception of others about us can also be managed effectively. Before that we need to understand how management can be done with success.

*Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.*

-Harold Koonts & Heinz Weihrich.

Many scholars and managers have found that the analysis of management is facilitated by a useful and clear organization of knowledge. In studying management; therefore, it is helpful to break down it into five managerial functions- planning, organizing, staffing, leading and controlling-around which can be organized the knowledge that underlies those functions. Managers design the internal environment for performance within the organization, at the same time he must operate in the external environment as well.

An organized enterprise does not, of course, exist in vacuum. Rather, it is dependent on its external environment; it is a part of larger system such as the industry to which it belongs, the economic system and the society. Thus the enterprise receives inputs, transforms them, and exports the output to the environment. Clearly any business or other organisation must be described by an open system model that includes interactions between the enterprise and its external environment.





## **Inputs and claimants**

The inputs from external environment include people, capital, managerial skills, as well as technical knowledge and skills. In addition, various groups of people will make demands on the enterprise. Consumers demand safe and reliable products at reasonable price, suppliers want assurance that their product will be bought, financial institutions and even competitors may have claims. Many of these claims are incongruent; it is the manager's job to integrate the legitimate objectives of the claimants.

## **The Managerial Transformation Process**

It is the task of managers to transform the inputs in an effective and efficient manner into outputs. The transformation process involves planning, organizing, staffing, directing and controlling.

- a) **Planning:** Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making that chooses future course of action from among alternatives.
- b) **Organizing:** Involves establishing an intentional structure of roles for people, all tasks necessary to accomplish goals is assigned to people who can make them best.
- c) **Staffing:** Staffing involves filling and keeping filled the positions in the organization structure.
- d) **Leading:** Leading is the influencing of people so that they will contribute to organization and group goals; it has to do predominantly with interpersonal aspect of managing.
- e) **Controlling:** Controlling is the measuring and correcting of activities of subordinates to ensure that events conform to plans.

**The communication system:** Communication is essential to all phases of the managerial process for two reasons. First, it integrates the managerial functions and secondly it links the enterprise with its external environment.

**External Variables:** Effective managers will regularly scan the external environment in order to respond to it.

**Outputs:** It is the task of the managers to secure and utilize inputs to the enterprise, to transform them through the managerial functions with due consideration for external variables-to outputs.

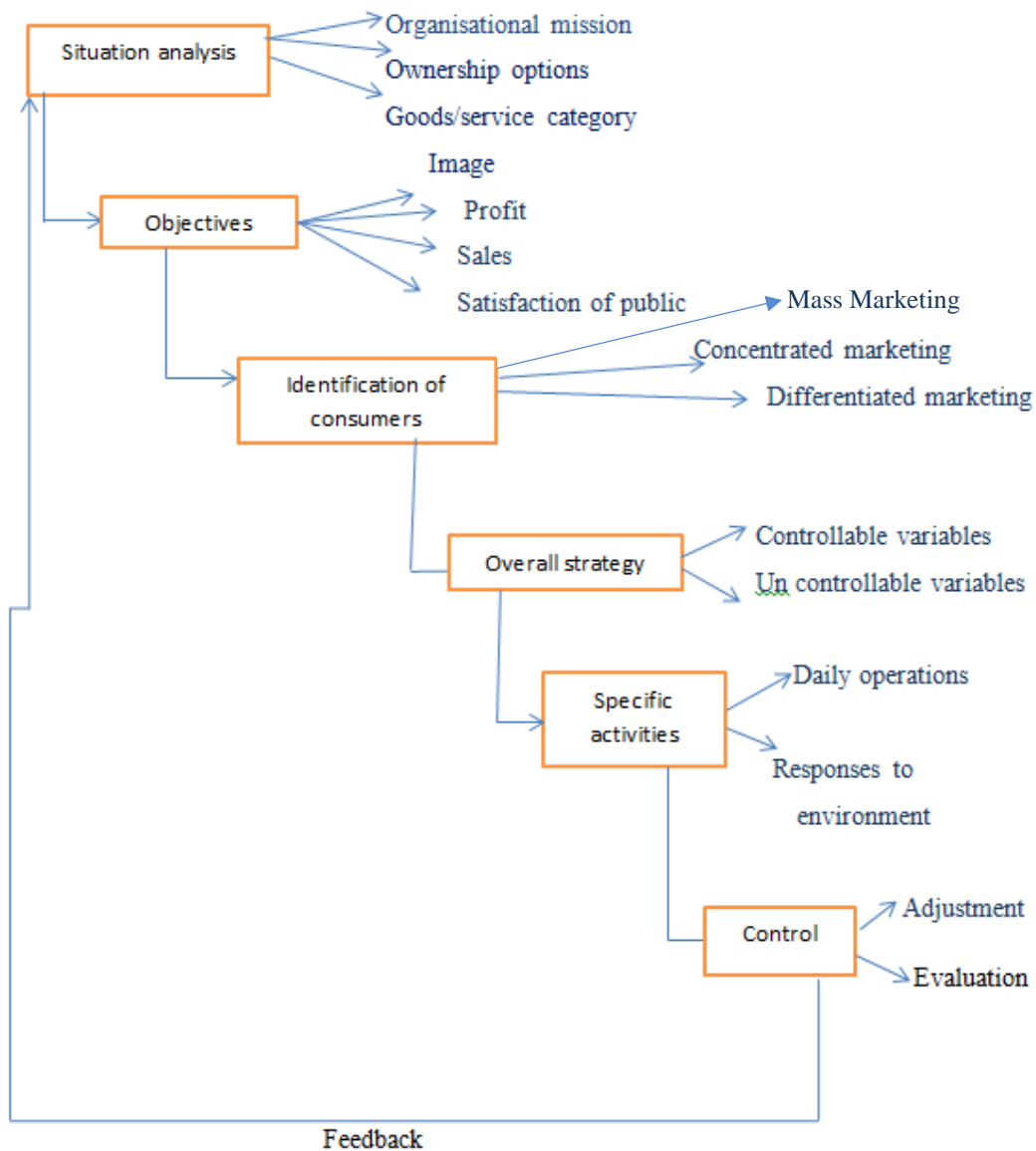
### **Reenergizing the System**

It is important to notice that in the system model of operational management some of the outputs become inputs again. Thus, the satisfaction of employees becomes an important human input. Similarly, profits, and the surplus of income over cost are reinvested in cash and capital goods such as machinery, equipment and inventory.

As opposed to strategic military deception, perception management is more methodical, leading an adversary to more slowly implements changes favorable to the originator. Even though it is widely used in international politics and military, recently its application in business found to be worthwhile especially in crisis management and winning consumers. PM demands strategic oriented planning as it is concerned with long-term complex manipulative process of influencing the opinion of others which takes into account a proactive rather than a reactive methodology.

Strategic planning in retailing is the overall plan or framework of action that guides a retailer (Barry Berman & Joel R Evans 2002). Ideally, it will be at least one year in duration and outline the mission, goals, consumer market, overall and specific activities, and control mechanism of the retailer. The elements of retail strategy are given below:

Figure 4.10: Elements of Retail Strategy



Scholars from different research disciplines such as reputation, legitimacy or corporate branding have been concerned with how to influence the perceptions of an organization's external stakeholders (Brown & Dacin, 1997; Elsbach, 1994; Fombrun & Shanley, 1990). These scholars contend that positive company perceptions of stakeholders are an important precursor of their behavior toward a company such as buying the company's products or making investment decisions regarding the firm. Reputation management studies have for example particularly focused on stakeholders' perceptions of a company's performance in relation to its

competitors, such as offering high quality products (Prabhu & Stewart, 2001; Weigelt & Camerer, 1988) and having a good financial performance (Fombrun & Shanley, 1990). These studies have shown that good reputations have favorable consequences for companies such as enhanced financial performance (Fombrun & Shanley, 1990), increasing sales (Shapiro, 1982) and higher attractiveness of applicants (Rynes, 1991). Corporate branding scholars have been concerned with how to create strong and favorable associations around a company's corporate brand. Studies in this field have shown that strong and positive corporate brand associations have a positive influence on consumers' buying intentions toward a company (Berens, Van Riel, & Van Bruggen, 2005; Brown & Dacin, 1997). The company activities that these studies refer to have been labeled by Elsbach (2003; 2006) as 'perception management'. The present study adopts this term to refer to research on managing organized retail consumer's perceptions.

Perception management scholars have particularly looked at different informative signals and strategies that affect the perceptions of external audiences and how these perceptions affect stakeholders' behavioral reactions toward the company (Brown & Dacin, 1997; Elsbach & Glynn, 1996; Rao, 1994;). For example, reputation management scholars have argued that stakeholders form perceptions of an organization based on signals that inform them about a firm's organizational characteristics such as its products and service or financial performance (Fombrun, Gardberg, & Sever, 2000; Fombrun & Van Riel, 2004).

### **Perception management process**

Perception management can be implemented in any sphere of life. Its application is not limited to marketing area. It is applied in various sectors like hospitals, educational institutions, military etc. Below are some of the real life examples of perception management.

### **Colonel Craig S. Jones 1999**

Based on personal observations of Task Force (TF), Eagle's IO cell in Bosnia during December 1997 (Jones, 1999) has developed a 12-step method that

forms a template for planning, implementing and evaluating IOs perception management piece to accomplish their mission to- protect lives and property in case of riots in the multiethnic city of Tajmil- in connection with Municipal elections and it seems likely that the losing political party will instigate riots after the election results are announced.

### **1. Analyse the mission**

The IO cell analyse the mission to determine the military and political objectives and the commander's intent.

### **2. Determine IO objectives**

An IO objective is a specific, operational statement of desired IO program accomplishments. For each IO objective the planner strives to use strong verbs; states only one purpose specifies a single end state and specifies the expected time for achievement (Freeman, 1982).For example: If the IOWG(Information Operation Working Group) objective is "Within 90 days, dissuade the populace of Tajmil from rioting"Dissuade is the strong verb.

### **3. Determine objectives for each element**

The IO staff officer needs to know what the C2W (Command and Control Warfare), PA (Public affairs) and CA (Civil Affairs) objectives are and how they will aid in achieving the overarching IO objectives. Brainstorming is important as it ensures that the IO objectives and each element's objective are clear, distinct and focused.

### **4. Identify IO targets**

The IO cell identifies IO targets, consistent with the commander's intent, and presents this list to the IOWG for review. Targets will be quite diversified and could include key communicators, a certain population segment or a set of radio towers that are being used to encourage people to riot.

## **5. Obtain detailed information about the target audience**

As a minimum, RII about the target audience should consist of the following:

Political agendas, Biographic information on key political and military figures, Decision-making process, Demographic information: age, sex, race, religion, economic income, cultural likes and dislikes. PSYOP (Psychological Operations) personnel are trained in target audience analysis—the process by which potential target audiences are identified and analyzed for effectiveness, accessibility and susceptibility. This type of analysis prepares the IOWG for the next step developing themes.

## **6. Develop friendly information themes**

Theme means a subject, topic or line of persuasion used to achieve a psychological objective. Providing the right piece of information to the right audience to reinforce or create perceptions or to cause ambiguity is the goal. In our scenario, possible theme is; “Peaceful protest is the appropriate way to communicate your desire for political change.”

## **7. Identify pressure points**

A pressure point is an important, essential or primary factor that can be influenced to control behavior. In our scenario, the people of Tajmil desperately need economic aid. Therefore, aid is a pressure point.

## **8. Develop Measures of Effectiveness**

IOWG must build MOE into the IO plan to ensure that three critical factors are measured: Effectiveness, Efficiency, and Adaptability. MOE can be classified as either quantitative or qualitative.

## **10. Write the IO plan**

With the information obtained so far, the IO cell is now ready to write the IO plan (operations plan). In addition, the IO cell uses a series of worksheets, matrices

and Gantt charts to record and display objectives, pressure points, tasks, milestones and timelines.

#### **11. Implement and monitor IO campaign plan**

During this step the plan is actually executed. The plan is monitored and feedback begins while RII collection continues. The IOWG members continuously use RII, MOE and other feedback to evaluate their individual activity's effectiveness and fine-tune the plan and adjust to unexpected events. Focus is on coordinating, adapting and achieving synergy.

#### **12. Evaluate the IO program.**

As stated earlier, MOE are built into the plan to provide the IOWG with an indepth check, enabling IO planners to adapt their plans as necessary. MOE are also used to evaluate the overall IO program's effectiveness. Knowing the effectiveness, the IOWG can decide whether to continue, modify or end it.

### **2. Ronald J. Stupak 1997**

In connection with small liberal arts college arena , the researcher found that numerous liberal arts colleges (Southern Pennsylvania) continue to spend too much time looking inward, planning too much from memory rather than from imagination and do not demonstrate the market sophistication needed to be viable and visible in the changed economic world. Therefore, in order to accentuate the contextual anchors to move beyond mere survival(Stupak, 2001)develop, and delineate, "perception management" as a strategic design and action agenda for turning passive reactions into proactive realities at liberal arts colleges in particular and the public sector in general.

The 9 steps are as follows:

1. **Determine the stakeholders who critically impact** your academic efforts in achieving desired market results - faculty, employees, alumni, etc.

2. Clearly identify the two or three (the fewer, the better) educational themes, cultural anchors, or location factors that differentiate you college from all the others - **the uniqueness factor**.
3. Based on these differentiated themes, relate what needs to be accomplished on both the business and educational level and develop targeted, focused messages that will have an emotional appeal to each internal and external stakeholder; that is, **sophistically blend mission with margin**.
4. **Use basic communication techniques** to get into the heads and hearts of your stakeholders - identify current perceptions, target key groups, refocus reality, and bring about desired behaviors and measurable results.
5. Always consider the **rational content of a message and the perceived meaning**. What will the listener actually hear, given who they are, what they care about, and how they feel about the institutional context and the message sender?
6. Consider how **various trends in communication impact messages** and the ability to manage perceptions effectively.
7. **Actively listen to your stakeholders** (parents, students and professional colleagues): dialogue is essential for increasing communication efficiency and understanding.
8. Reach out to senior faculty, deans and managers, and other internal audiences to crystallize and anchor the fundamental objectives of the college and to **determine how marketing activities can support** and help to bring about mutual account ability, real-team experience for achieving those objectives.
9. Perceptions and style can never be a substitute for lack of academic substance or faculty quality. There must always be a **reinforcing interaction between perception management and educational performance**.



**5. Peter Callamari & Derek Reveron 2003**

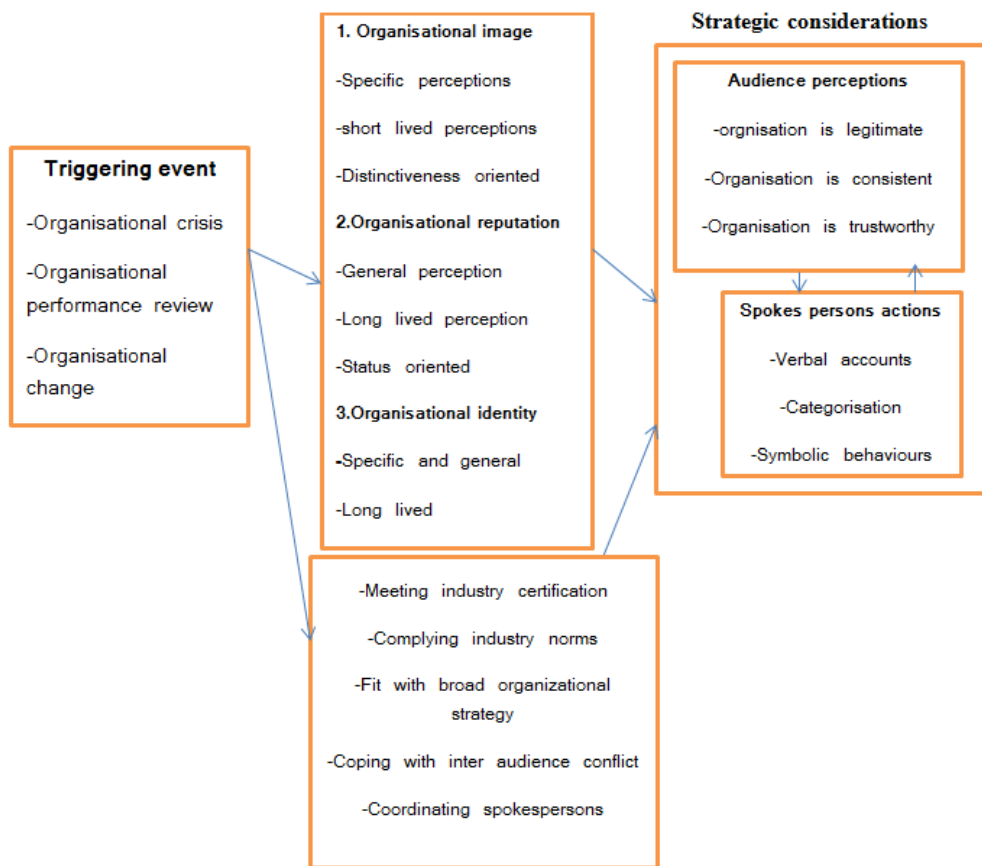
As per his view, at a minimum, perception management includes four steps:

- (1) Getting the target's attention.
- (2) Presenting relevant information to hold the target's attention.
- (3) Portraying the information in a way consistent with the target's memory or experiences.
- (4) Repeatedly communicating the information in order to remain congruent, additionally, the information should be timely.

**4. Kimberly D. Elsbach- 2003**

The researcher propound that Organizational perception management involves a set of components that are distinct from those used in individual perception management.

Figure 4.11: Salient Perception Form



As shown in Figure, the key to successful organizational perception management starts with recognizing how different types of triggering events focus audiences' attention on: (1) specific forms of organizational perceptions and (2) specific strategic issues. Interestingly, this framework suggests that the major mistakes that spokespersons can make in carrying out organizational perception management are incorrectly identifying the form of organizational perception that needs managing (e.g. using identity management responses when reputation management is called for) and the strategic issues that need consideration (e.g. disregarding how perception management tactics fit with the organization's overall performance strategy).

## 5. L. Ronnie M. Johansson and Ning Xiong 2003

Perception was also incorporated into the data fusion model, treating situation awareness as percepts of the environment. Recognizing the essential need

of intelligent agents to perceive the environment to take appropriate actions, this article proposes the concept of perception management. It refers to controlling the process of data acquisition from the external world to enhance percepts obtained. Information-oriented observation (data gathering) exhibits strong relevance to active perception in artificial intelligent systems. It contributes to the improvement of perception in that it restricts the focus to the most critical or interesting events or aspects, facilitates better situation awareness as well as helps avoid overwhelming storage and computational burden in a data rich environment. According to the study, activities for perception management can include but are not limited to the following:

- Reasoning about information requests with respect to the underlying mission and situation;
- Ranking the importance of various information requests and resolving the conflicts between them;
- Real-time distribution and adaptation of perception tasks through, e.g., cooperation or negotiation among decision agents;
- Management of other data acquisition resources, in addition to sensor devices, that can also support the perception process (e.g., in a command and control system, additional resources may include human observers or news agencies);
- Planning of sensor external actions (e.g., controlling the motion of a mobile platform carrying sensors) to support the purpose of perception with increased scope and utility of gained information;
- Pro-active deployment and planning of resources according to predicted situation tendency to get first-time information of an event which is likely to happen in the upcoming period.

## Millicent Mentor Academy 1997

Figure 4.12: Perception Management Model of Millicent Mentor Academy



The Public Relation agency uses a strategic and scientific tool called perception wheel, which helps companies to manage their reputation by taking an outside orientation i.e., listening to stakeholders. As one of the wheel component is perception audit- a one to one qualitative audit which constitute measuring the effectiveness of the perceptual effort of the organization.

### **Perception management model of the study**

#### **Stimulus –organism-response model and perception management**

There is no denying the fact that perceptions can be managed. The beauty of a Perception Management effort is that it is a soft tool. Perception Management need not cost large sums of scarce fiscal resources to be effective. Perception management is the practice of ensuring the message you wish to send is understood

by the specific individuals or groups you want to reach. It is concerned with shaping the opinion of audiences and in projecting the “true story.”

On the basis of perception management templates discussed above, the study also developed a model of Perception management. Detailed description is given in the first chapter.

### **How perceptions can be managed in modern retail environment**

Consumers make decisions based on what they perceive to be reality, it is important that marketers understand the notion of perception and its related concepts to determine more readily what factors influence consumers to buy (Schiffman 2012). The perception process begins with exposure and attention to stimuli and ends with interpretation. Consumers process only a fraction of available information and interpretation can be a highly subjective process. Hence the reality and the perception of the reality may be quite different.

Exposure provides consumers with the opportunity to pay attention to available information but in no way guarantees it. The highly selective nature of consumer exposure is a major concern for marketers since failure to gain exposure result in lost communication and sales opportunities. Liljenwal (2004) found that only 21 percent of U.S shoppers visited each aisle in the store, the reminder avoided the products in aisles they didn't shop. Consumers in France, Belgium and Holland are also highly selective shoppers, while consumers in Brazil and the United Kingdom are more likely to shop all the aisles.

As you enter in a retail outlet, you receive huge numbers of stimuli, your senses come into assault and fresh produce (fruits, vegetables) is the first thing you see. The vibrant colours put you in a good mood; your sense of smell is also targeted. Freshly baked bread or roasting chickens reinforce how fresh the produce is and makes you feel hungry. There are host of different products trying to tempt us to buy them. These products all vie for our attention through their packaging (shape, size, material etc.), the labeling (message, colours, images etc.) or because they conjure up a TV ad campaign. The fact is there are too many stimuli, we are

saturated. In front of us are a myriad of options and we can only look at a few. Thank goodness our brain and mind are equipped with an amazing and complex piece of software: attention. Paying attention means picking out specific information and discarding the rest. Attention is a dynamic process in which stimuli compete to be chosen (Martinez, 2012). Attention requires consumers to allocate limited mental resources towards the processing of incoming stimuli such as packages seen on store shelves or on product displayed at offer (Hawkins 2014). Our body senses do magic by transforming these senses (colours, sizes, shapes, smell, etc) into energy that can be processed (electric impulses, bits and bytes of information (Pepe Martin 2014).

Marketers apprehend the leverage they attain by virtue of stimulus factors; organized retailers effectively employ this science behind the human attention. Let us discuss how they deliberately utilize the stimulus components.

When you see items on a supermarket shelf, you are actually looking at the planogram (a diagram indicates the placement of products to maximize sales). Within these planograms, one phrase commonly used is “eye level is buy level” indicating that products placed at eyelevel are likely to sell better (Kendell, 2014). More expensive products are at eye level or just below, while store’s own brands are placed higher or lower on the shelves.

The “number of facings”, that is how many items of a product you can see also has an effect on sale (size of stimuli), consumer product manufactures often pays slotting allowances to retailers to secure shelf space (Rappaport, 2004). The more visible a product the higher the sales are likely to be. The lighting in the store enhances the look and appeal of merchandise and it has an effect on retail area appearance.

Increased choice however also presents a paradox. Too much choice can actually overwhelm us and cause us not to buy anything at all. Here comes another advantage of presenting products in isolation at the end of the aisle as opposed to down the aisle where the full selection of alternatives is available (Ryder, 2011).

We are biologically tuned to see things which are red in sharper focus. So organized retailers generally use red colour in promotional labels and sale signs. The use of novel shapes combined with conspicuous colours play a pivotal role in the design of the product packaging. These factors make products stand out among all others and attract our attention.

When we are in a supermarket 80% of the time we spend is not associated with buying products, rather moving through the store from one shopping event to the next, we go with the flow. So to make a sale, the retailer and product manufacturer first need to capture our attention and let us to slow down, stop and look at the products on sale. Once they have captured our attention we become shoppers, rather than just passing the traffic (Ryder, 2011). For example, we are shopping in a shopping mall; sometimes before we leave home we made a list of items that we intend to buy. It will force our attention to concentrate on specific retail areas, on certain shelves and on specific products. The products will be chosen in accordance with our needs. Beyond, some products may catch our attention for a variety of reasons: they are new, having attractive packages, they are on special offer or displayed in a prime position.

Obviously, individuals in a hurry are less likely to attend to available stimuli than are those with extra time. Likewise, if they are in an unpleasant environment such as an overcrowded store or a store that is too noisy, too warm or too cold, will not attend too many of the available stimuli as they attempt to minimize their time in such an environment.

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CHAPTER V

**INFLUENCE OF STORE  
ATMOSPHERE ON MARKETING  
STIMULI, COMMITMENT AND LOYALTY**

Retailing is one of the largest industries in India and is one of the biggest sources of employment in the country. Retailing is a set of business activities, which adds value to products and services sold to the consumer. From a marketer's perspective, retailing is the set of marketing activities designed to provide satisfaction to the end consumer and profitably maintain the customer base by continuous quality improvements across all areas concerned with selling of goods and services.

In India retailing consists of both organized and unorganized sector. However, organised sector constitute only a meager share. It is in the nascent stage now, but expected to grow at a higher phase in the coming years as revealed by many reports relating to organized retailing and changing demographics of Indian consumers. Consumer's perception about the emerging organized retailers is an interesting area to research. The present study intends to analyse the consumer's perception towards organized retailing and its influence on the loyalty behaviour.

This chapter includes the demographic profile of respondents, general purchase behaviour of consumers, analysis relating to consumers perception, emotions, commitment and loyalty. Finally the research model developed for the study is also validated.

## **Demographic profile of the sample**

### **Introduction**

Organized retailing in India is at its inception stage; hence a mall interception survey was adopted to get the real representation of the organized



consumer group. The data was collected by using pre tested structured questionnaire, among the organized retail consumers in Kerala. The sample demographic characteristics in terms of age, income etc., are given below along with their descriptive statistics in terms of frequency and percentage in table 5.1.

Table 5.1

*Demographic Profile of the Sample*

<b>Demographic variables</b>		<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>	up to 30	138	30.7
	30-50	261	58.0
	50 and above	51	11.3
	<b>Total</b>	<b>450</b>	<b>100.0</b>
<b>Gender</b>	Male	263	58.4
	Female	187	41.6
	<b>Total</b>	<b>450</b>	<b>100.0</b>
<b>Education</b>	Up to secondary level	92	20.5
	Degree/Diploma	146	32.4
	PG and above	212	47.1
	<b>Total</b>	<b>450</b>	<b>100.0</b>
<b>Occupation</b>	Professional	94	20.9
	Business	86	19.1
	employed	180	40.0
	Others(Housewife's & students)	90	20.0
	<b>Total</b>	<b>450</b>	<b>100.0</b>
<b>Monthly Income</b>	Less than 25000	153	34.0
	25000-50000	153	34.0
	Above 50000	144	32.0
	<b>Total</b>	<b>450</b>	<b>100.0</b>

Source: Survey data

## **Age**

Of the 450 respondents, 30.7% of the respondents belong to age group of Under 30 years and 58.0 % of the respondents belong to age in between 30 and 50. The remaining 11.3% of the respondents are above the age of 50 years. This indicates that majority of the respondents were youngsters and middle aged people.

## **Gender**

The sample for the study consists of 58.4% male respondents and 41.6% female respondents.

## **Education**

A majority of the respondents contacted are highly educated, 47.1% of them are postgraduates or professionals and 32.4% are graduates. About 20.5% of the respondents are studied up to secondary level. This implies that organized retailers specifically target to higher educated segment of the population.

## **Occupation**

Majority (40%) of the respondents is employees while 20.9% of the respondents are professionals. 19.1% of the respondents belong to businessman category and 20% respondents are housewives and students.

## **Monthly Household Income**

Of the 450 respondents, 34% of the respondents reported to have monthly household income of below Rs 25000, and 34% reported their monthly household income range to be Rs. 25000-50000. This groups form the middle class of the socio-economic structure. 32% of the respondents said their monthly household income is above Rs 50000. This group form the rich class of the socio-economic structure. This indicates that consumers belongs from all socio-economic category have attracted towards organized retails.

## General Purchase Behaviour

Consumers decision of where to shop depends up on various factors, whether to make a fill in trip purchase or a monthly purchase, and type of shopping task are also influenced by shopper characteristics. The information they get from various sources, what type of products they intends to buy and how much amount is with them as their discretion and reachability of the outlet also have an influence on store choice decision.

Table 5.2

*General purchase behaviour of informants*

Multiple response type		Frequency	Percentage
Sources of information	Friends	180	40%
	Television	126	28 %
	Newspaper	60	13%
	Others(Internet & direct exposure)	84	19%
Type of products	Basics	67	24.0%
	Ready-mades	111	39.8%
	Electronic items	31	11.1%
	Footwear	70	25.1%
	<b>Total</b>	150	100%
<b>1. Malls</b>	Basics	72	23.1%
	Ready-mades	139	44.6%
	Electronic items	40	12.8%
	Footwear	61	19.6%
	<b>Total</b>	150	100%
<b>2.Hyper market</b>	Fruits & vegetables	95	25.5%
	General provisions	142	38.1%
	Personal care	136	36.5%
	<b>Total</b>	150	100%
	<b>3.Supermarket</b>	Fruits & vegetables	95
General provisions		142	38.1%
Personal care		136	36.5%
<b>Total</b>		150	100%

Multiple response type		Frequency	Percentage
<b>Distance</b>	less than 5km	216	48.0
	5 to 10 km	121	26.9
	more than 10	113	25.1
	Total	450	100.0
<b>Frequency of visit</b>	Regularly	199	44.2
	Occasionally	107	23.8
	Seasonally	63	14.0
	Rarely	81	18.0
	Total	450	100.0
<b>Starting to visit</b>	< 2 year	124	27.6
	2-3 year	150	33.3
	>3 year	176	39.1
	Total	450	100.0
<b>Amount of purchase</b>	<2000	192	42.7
	2000-5000	102	22.7
	>5000	156	34.6
	Total	450	100.0

Source: Survey data

### Sources of information

Majority of customers came to know about the organized retail outlets through friends (40%); they also have influenced by television (28%) newspaper (13 %) and through internet and direct exposure (9%). However word of mouth through friends is the most influencing factor.

### Type of Products

The main reason of consumer's visit to shopping mall is the intention to shop ready-mades (39.8%), consumers rarely buy electronic items from shopping malls (11.1%), and they also like to buy footwear (25%) and basic items (24%) (Such as staples, vegetables etc.).

The hypermarket consumers are also prefer there to shop ready-mades (44.6%), they also make purchases of basics (23.1%), and footwear(19.6%). But there rate of preference is low(12.8%)in case of electronic items.

Consumers generally go to supermarket for purchasing general provisions (38.1%), and personal care products (36.5%). They also buy fruits and vegetables from there (25.5%).

### **Distance**

Majority (48%) of organized retail consumers are residing within a distance of 5km or less, consumers residing in between 5 and 10 km constitute 26.9% of the total respondents while 25.1% fall in the category of more than 10 km.

### **Frequency of Visit**

Majority of the respondents (44.2%) are regularly visiting the organized outlets, 23.8% are occasionally visiting, while 18% visit rarely and 14% of the respondents are seasonally visit the organized outlets.

### **Starting to Visit**

Most of the consumers are very familiar with the organized outlets (39.1%), they have been visiting more than 3 years,33.3% of the respondents started to visit the organized outlets in between 2 to 3 years, and only 27.6% of them are having an experience of less than 2 years.

### **Amount of Purchase**

Even though majority of respondents visit organized outlets regularly, they spend only small amount of shopping in this outlets (42.7%), 22.7% of them spend in between Rs 2000 and Rs 5000, and 34.6% spend more than Rs 5000 of their shopping trips in organized outlets.

## **Marketing Stimuli Perception**

Consumer perception refers to the process by which a customer selects, organizes and interprets information/stimuli to create a meaningful picture of the brand or the product. Each individual interprets the meaning of stimulus in a manner consistent with his or her own unique biases, needs and expectations.

Consumer's perception of a product or service offered may differ from what the producer or marketer had intended to offer. This is not helpful for both the parties in today's competitive environment, as the consumer perception can determine the success or failure of a business. A positive perception about a product or service by a specific retailer/service provider will result in greater business while a negative view will lead to its loss. To sustain in the competitive environment, retailers should search ways to influence the consumer's perception. Consumers in each market segment form images of various stores based on their perceptions of the attributes they consider important. The process of choosing a specific store is a function of consumer characteristics and store characteristics.

Consumer's perception about various stimuli offered by the store will have an influence on their store choice decisions. The store choice phenomenon has gained significance in Indian markets with the introduction of larger and diverse retail formats by organized players. They are providing new experiences and options for shoppers. Both retailers and shoppers are currently in the evaluation phase with no clear verdict as to what may drive the choice of stores to shop in (Piyush Kumar, 2012).

The hallmark of Indian retailing (the small shop with a high level of service) is holding shoppers back to traditional ways of shopping. To a large section of customers, the new formats are not perceived to add enough value, except for novelty. The primary motive behind this study is to identify the most important attributes perceived by the organized retail consumers in forming their loyalty towards the outlet.

The relevant data relating to this aspect has been collected from the informants and presented in the Table 5.3.

Table 5.3

*Marketing Stimuli perception of sample organized retail consumers (before visit)*

Scale items	Shopping mall	Hyper market	Super market	Anova (p value)	Aggregate (All formats)
	(Mean &S.D)	(Mean &S.D)	(Mean &S.D)		(Mean &S.D)
Superior Product Quality	3.94 (0.77)	3.70 (0.58)	3.70 (0.58)	0.002*	3.78 (0.66)
Wide Range of Brands	3.97 (0.80)	3.72 (0.75)	3.67 (0.75)	0.000*	3.79 (0.68)
Variety within Brands	3.97 (0.79)	3.71 (0.58)	3.74 (0.66)	0.002*	3.80 (0.69)
Discount	3.76 (1.03)	3.29 (0.77)	3.88 (0.82)	0.000*	3.64 (0.91)
Offers	3.80 (1.03)	2.99 (0.90)	3.80 (0.90)	0.000*	3.53 (1.02)
In store promotions	3.78 (0.91)	3.32 (0.79)	3.82 (0.59)	0.000*	3.64 (0.89)
Reasonable price	3.85 (0.92)	3.48 (0.73)	3.92 (0.79)	0.000*	3.75 (0.84)
Helpful employees	3.66 (0.97)	2.97 (0.77)	3.52 (0.78)	0.000*	3.32 (0.89)
Individual attention	3.69 (0.97)	2.96 (0.75)	3.48 (0.80)	0.000	3.38 (0.90)
Enough employees	3.69 (0.98)	2.94 (0.77)	3.50 (0.82)	0.000*	3.38 (0.91)
Convenient location	4.00 (0.49)	3.95 (0.24)	3.82 (0.55)	0.011*	3.93 (0.45)
Parking	4.06 (0.54)	3.94 (0.25)	3.82 (0.52)	0.000*	3.94 (0.71)
One stop destination	4.06 (0.55)	3.94 (0.25)	3.82 (0.52)	0.000*	3.94 (0.47)

Scale items	Shopping mall	Hyper market	Super market	Anova (p value)	Aggregate (All formats)
	(Mean &S.D)	(Mean &S.D)	(Mean &S.D)		(Mean &S.D)
Price displays	4.12 (0.49)	3.86 (0.56)	3.34 (0.87)	0.000*	3.77 (0.73)
Easy checkouts	3.50 (0.91)	3.15 (0.61)	3.26 (0.92)	0.001*	3.30 (0.84)
Multiple payment options	3.48 (0.95)	3.16 (0.61)	3.26 (0.92)	0.005*	3.30 (0.85)
<b>Aggregate mean</b>	<b>3.61 (0.83)</b>	<b>3.55 (0.66)</b>	<b>3.34 (0.75)</b>	<b>0.000*</b>	<b>3.71 (0.73)</b>

Source: Survey data

\*Indicates p value < 0.05 & figures in brackets indicate standard deviation.

From the table it can be seen that the informants have positive marketing stimuli perception with regard to organized retailing. The mean score in this respect is 3.71 as against a maximum score of five, indicating that more than 70 percent positive perception.

Analysis of component wise perception, the result reveals that one stop destination and parking (mean score 3.94 each) have high positive 'before visit perception', followed by convenient location (mean score 3.93) and product variety (mean score 3.83). The product quality and range of brands have a 'before visit positive perception' score of 3.79 in organized outlet, while their before visit perception score with regard to easy check out and multiple payment options are only 3.33. Further details can be seen in the above table.

### **Store format wise classification of marketing stimuli perception**

Data relating to aggregate marketing stimuli perception given above has been classified into three categories based on store types, viz., shopping malls, hyper markets and super markets. Relevant scores are presented in same table 5.3 given



above. Analysis of variance has been used to analyze the variation in mean scores among the formats.

From the result, it can be seen that consumers before visit marketing stimuli perception with regard to different formats are different ( $P < 0.05$ ). Aggregate marketing stimuli perception score is high (mean score 3.61) in the case of Shopping Mall followed by Hyper market (mean score 3.55) and Super market (mean score 3.34).

Component wise analysis shows that the 'before visit perception' on merchandise quality has above 3.0 in all formats showing that, consumers perceived that quality is higher in Shopping malls (mean score 3.94) compared to Super market (mean score 3.70) and Hyper market (mean score 3.70). Their 'before visit perception' score is above 75 percent in the case of variety, range of brands availability in all formats, even though it is comparatively high in Shopping Malls (perceptual score 78). Regarding the in store promotions, reasonable price and discount availability, consumers 'before visit perception' was only average in Hypermarket. However consumer's 'before visit perception' with regard to these aspects is above average in Super market and Shopping mall.

Consumer's 'before visit perception' concerning employee service aspects such as individual attention of employees (mean score 2.97), enough employees (mean score 2.94) and helpful employees (2.93), is only average in Hypermarkets. In Shopping malls and Supermarket consumers before visit perception score is high positive with regard to these employee related aspects.

Consumers 'before visit perceptual score' in aggregate is above 75 percent in the case of convenient location, parking and one stop shopping destination. However format wise it shows significant difference. Consumer's perception relating to these aspects is high in Shopping malls with a mean score of 4.06 each in case of parking and one stop destination and with perception score of 80 percent in convenient location aspect. Soon how, in Supermarket and Hyper market also the perception score is high in these location related components.

Perception score is above 75 percent regarding Price display, multiple payment options and easy checkout stimuli of shopping mall, but in connection with Super market and Hyper market, consumers before visit perception in these aspects are only average. Further details can be seen in the above table.

From the foregoing discussion, we can infer that even though consumers have positive ‘before visit perception’ in connection with various stimuli provided by the organized retailers, their perception vary widely according to different formats. There is statistically significant difference exist among formats with regard to all aspects of marketing stimuli. Through public media, friends and exposure to global travel consumers get some stimuli regarding the organized retail outlet; along with this they have their own expectations also. They form a perception about organized retail outlet based on these stimuli’s. After they have direct exposure with the organized outlet, they will get more stimuli. Hence their previous perception may change. The present study focuses on this perceptual change also.

### **Dimensions of marketing stimuli perception**

In order to explore the dimensions of marketing stimuli perception and the factors that make up each dimension, the indicator variables related to marketing stimuli perception were subjected to an exploratory factor analysis to identify the factor structure of indicators that form retail marketing stimuli’s. Sixteen scaled items were used to measure marketing stimuli perception. In order to identify the naturally occurring dimensions of marketing stimuli perception all sixteen items were subjected to a factor analysis. This approach was recommended in the literature as a means of identifying actual, rather than perceived, factor groupings. The role of factor analysis is to identify the components or factors that derive from a set of variables, i.e. to identify the subset of correlated variables which is reasonably uncorrelated with other subsets.

### **Exploratory Factor Analysis**

As factor analysis identifies “invisible “factors which represent the hidden organization or “organizing principle” of whatever is being measured with a

number of observable measures or scales. Factor scores or “factor loadings” indicate how each hidden factor is associated with the observable variables used in the analysis. The items that load higher than 0.5 are retained while low loading items were dropped. In general, higher factor loading is considered better, and typically loadings below 0.30 are not interpreted. Table 4 below provides the details of each factor along with items contributing to it with component loadings for each item.

Table 5.4

*KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.749
	Approx. Chi-Square	5177.030
Bartlett's Test of Sphericity	Df	120
	Sig.	0.000

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.749 and the Bartlett Test of Sphericity was significant ( $p < 0.001$ ) which revealed that variables were not correlated in the population, Chi Square value of 5177.03 with 120 degrees of freedom which was considered to be very good for further analysis and provided support for the factorization.

Table 5.5

*Classified indicators with loadings*

Sl.No	Components	Mean score	% of Variance	Cumulative %	Variables	Loadings
1	Furtherance	3.17	25.16	25.15	In store promotions	<b>0.90</b>
					Offers	<b>0.89</b>
					Discount	<b>0.89</b>
					Reasonable price	<b>0.66</b>
2	Service	3.29	18.59	43.75	Enough employees	<b>0.93</b>
					Individual attention	<b>0.93</b>
					Helpful employees	<b>0.92</b>
3	Remittance	3.46	13.46	57.21	Multiple payment	<b>0.96</b>
					Easy billing	<b>0.96</b>
					Price displays	<b>0.69</b>
4	Merchandising	3.44	10.85	68.06	Variety	<b>0.85</b>
					Superior product quality	<b>0.83</b>
					Wider brand selection	<b>0.75</b>
5	Locale	3.74	8.89	76.96	One stop destination	<b>0.84</b>
					Convenient location	<b>0.84</b>
					Parking	<b>0.57</b>

The result of factor analysis with varimax rotation supported a five factor solution. The five factors had an Eigen value greater than 1, which together

explained over 76.96 percent of the variance in the items. Some of the observations from the exploratory factor analysis were the following:

- The factor “all products in one place” was not loaded along with product related items. The other three factors were remained and have given a suitable name “**Merchandising**”, as these aspects are related to the firm are merchandising policy in literature.
- The factor “reasonable price” showed more loading with ‘**Furtherance**’ dimension than other price related aspects. This is justifiable as customers may perceive this as part of furtherance service. Hence it is decided to include reasonable price along with furtherance dimension.
- The factors “Multi payment options”, “Easy billing” and “Price displays” were loaded on one factor, as it was related to payment aspects, the suitable name has given “**remittance perception**”.
- Employee related aspects are loaded in one dimension, so it was decided to give the construct name as “**Service.**”
- The factor “one stop destination (all products in one place)” showed more loadings with locale. This can be justified on the grounds that although these are related to merchandising policy, the respondents perceive these as locale aspects as it is more related to purchase convenience. Hence it was added along with “**Locale**” dimension.

From the table, it can be seen that the mean score is high on **remittance, merchandising and locale perceptions**. The most contributing component to remittance factor is multiple payment and easy billing, whereas in relation to merchandise perception consumers give more importance to variety (0.79) and superior quality. In “**locale perception**” one stop destination and convenient location aspects are pertinent to customers. Enough number of employees and individual attention get by them are due importance to customers with regard to **service factor**. Consumers give more importance to offers and in store promotions

in furtherance perception. Percentage of variance explains the most variation in consumer response is with regard to furtherance aspects.

From the above discussion it is identified that the study classifies the indicators related to marketing stimuli into five groups, based on their association with the hidden factor. Appropriate names are given to the factors and the study use these dimensions as a base for further analysis. These five factors are used to measure the perceptual change over a period of time and to develop a model for analyzing perceptual influence on store loyalty. In addition to this analysis is also made to understand variation in loyalty behavior based on Dick & Basu's (1994) loyalty matrix.

### **Perceptual Change**

Understanding consumer behaviour is incomplete unless describing how consumers make choices among stores based on the perception of store attributes. Store choice decisions have gained significance in Indian market with the introduction of larger and diverse retail formats by organized players. They are providing new experiences and options for shoppers. At present, they are facing the problem of high footfalls and low conversion rate in terms of actual purchase. Both retailers and shoppers are currently in the evaluation phase with no clear verdict as to what may drive the choice of stores to shop in.

Whenever new store formats are introduced in the market, consumers come to know and learn about them through word of mouth, internet, promotion etc. After they became aware, they form perceptions about various attributes of the store based on the information that they have received from various sources. Consequently, these perceptions will guide their intention to visit the store. When they visit the store, they come across with numerous stimuli's, beyond the information that they received earlier. This will result a negative or positive perceptual change about the store choice criteria's that formed before visiting the store. So the present study tries to analyze this perceptual change among the organized retail consumers in Kerala.

In order to measure the perceptual change, a comparison has been made between consumer's perception before the visit and after their visit to the organized retail store. **Paired sample t test** is conducted in order to determine if statistically significant difference exist between mean scores on consumer's perception on different aspects before and after their visit with the organized retailer. The relevant data in aggregate relating to the perceptual change as regards to marketing stimuli is given in table 5.6.

Table 5.6

*Perceptual changes as regards to marketing stimuli*

Factors	Scale items	After visit		Before visit		Mean difference
		Mean	S.D	Mean	S.D	
Merchandising perception	Superior Product Quality	3.63	0.84	3.78	0.68	-0.15*
	Wide Range of Brands	3.18	0.80	3.79	0.68	-0.61*
	Variety within Brands	3.58	0.73	3.80	0.69	-0.22*
<b>Total</b>		<b>3.44</b>	<b>0.79</b>	<b>3.79</b>	<b>0.68</b>	<b>-0.35*</b>
Furtherance Perception	Discount	3.09	0.91	3.64	0.91	-0.55*
	Offers	3.19	0.81	3.53	1.02	0.34*
	In store promotions	3.14	0.89	3.64	0.92	-0.50*
	Reasonable price	3.27	0.93	3.75	0.84	-0.48*
<b>Total</b>		<b>3.17</b>	<b>0.88</b>	<b>3.64</b>	<b>0.92</b>	<b>-0.47*</b>
Service Perception	Helpful employees	3.40	0.88	3.38	0.89	0.02
	Individual attention	3.20	0.96	3.38	0.90	-0.18
	Enough employees	3.28	0.91	3.38	0.91	-0.1
<b>Total</b>		<b>3.29</b>	<b>0.91</b>	<b>3.38</b>	<b>0.90</b>	<b>-0.09</b>

Factors	Scale items	After visit		Before visit		Mean difference
		Mean	S.D	Mean	S.D	
Locale perception	Convenient location	3.91	0.69	3.93	0.45	-0.02
	Parking	3.52	0.71	3.94	0.47	-0.42*
	One stop destination	3.80	0.76	3.94	0.47	-0.14*
<b>Total</b>		<b>3.74</b>	<b>0.72</b>	<b>3.93</b>	<b>0.46</b>	<b>-0.19*</b>
Remittance perception	Price displays	3.78	0.79	3.77	0.73	0.01
	Easy checkouts	3.77	0.84	3.30	0.74	-0.47*
	Multiple payment options	3.94	0.85	3.30	0.68	-0.64*
<b>Total</b>		<b>3.82</b>	<b>0.82</b>	<b>3.46</b>	<b>0.71</b>	<b>0.36*</b>
<b>Grand total</b>	Marketing Stimuli's perception	<b>3.42</b>	<b>0.82</b>	<b>3.71</b>	<b>0.73</b>	<b>-0.29*</b>

Source: Survey data

\*Indicates mean differences with p value <0.05.

From the table it can be seen that the informants have positive Marketing stimuli's perception with regard to organized retailing. The mean score in this respect is 3.42 as against a maximum score of five indicating more than 70 percentage positive perceptions.

However when compared the perception before and after the store visit, it can be seen that the Marketing stimuli's perception score before the visit was 3.71 with a standard deviation of 0.73 and after the visit the perception score is 3.42 with a standard deviation of 0.82. This indicates that there is a decrease to the extent of 0.29 in the positive perception of marketing stimuli after visiting the organized retail outlet. Generally, consumers develop perception to the organized retail stimuli's through exposure to media and other communication networks, and through global travel they get acquainted with world class tastes and preference of products and brands. Based on these they may have better perceptions with regard to various marketing stimuli's provided by the organized retailers. But, the study result unveil that, when the consumers have association with the organized retail store, their



positive perception has weakened in almost all store choice related factors. This difference is also statistically significant at 5% level.

Further an analysis of the factor wise marketing stimuli perception change, such as Merchandising, Furtherance, Service, Locale, and Remittance given in the table revealed that in the case of first factor “Merchandising perception” which was above 3.71 as against a maximum of 5, before the store visit has come down to 3.44 with standard deviation 0.79 after the store visit. This indicates that there is a decrease in positive perception to the extent of 0.35. The difference, is also significant at 5% level. The respondents may be having better store image perception of the organized retail outlet before they visit the store. This might influence their perception of quality, assortment and variety offered by the organized retail outlets, meanwhile the direct experience brought out a decreased perceptual change in the merchandising aspect of the organized retail outlet.

Regarding Furtherance variable, respondents have higher positive perception with regard to the “Furtherance” services offered by the store before their visit (Mean 3.64, S.D 0.92), and after visit it has fallen to (Mean 3.17, S.D 0.88). This difference in the mean scores is also statistically significant at 5% level. Those who support organized retailing argued that growth of organized retailing will yield efficiencies in the supply chain, enabling better access to markets and higher prices to producers (including farmers and small producers); on the one hand, consumers will get benefit of reduced prices. But the study results contradict this argument as the furtherance perception shows at diminishing level.

The respondents perception concerning the “Locale” aspect also shows decreased figure (Mean 3.7 Vs 3.9;  $p < 0.05$ ). Nevertheless, consumers perception pertaining to remittance factor has improved significantly after their visit to the organized outlet (Mean 3.82 Vs 3.46;  $p < 0.05$ ). Further details of each factor can be seen in the above table.

Further, a detailed analysis of component wise perception of marketing stimuli disclosed by the table indicates that respondent’s perception as regards to wide range of brands was 3.7 with standard deviation 0.68, which also reduced after their visit to 3.1 with standard deviation 0.80. Respondents have better perception relating to in store promotions before their visit to the store (Mean 3.1 Vs 3.6;

p<.05) and discount availability (Mean 3.0 Vs 3.6; p<0.05), while their perception has decreased significantly after their visit.

### Perceptual change among different organized retail Formats

Presently there are mainly three types of organized retail formats prevailing in India such as Shopping Mall, Hypermarket and Supermarket and the study was conducted among the consumers of all these formats. A Retail format would dictate the product or service offered by the retailer, the pricing policy that they adopts, the communication that they follows to reach out to their customers and the size, look and location of these store. Different formats choose different strategies to attract target market; as such consumer perception towards them also varies. Present study also tries to analyses the perceptual change about marketing stimuli among different retail formats. The relevant data is tabulated and presented in table 5.7.

Table 5.7

#### Store Format Wise Perceptual Change

Factor		Shopping Mall			Hypermarket			Super Market		
		After visit	Before visit	T value	After visit	Before visit	T value	After visit	Before visit	T value
MSP1	Superior Product Quality	3.49 (0.81)	3.94 (0.77)	-0.45*	3.68 (0.78)	3.70 (0.58)	-0.02	3.78 (0.89)	3.70 (0.58)	0.08
	Wide Range of Brands	3.50 (0.80)	3.97 (0.77)	-0.47*	2.98 (0.75)	3.72 (0.57)	-0.74*	3.06 (0.75)	3.67 (0.61)	-0.61*
	Variety within Brands	3.49 (0.80)	3.71 (0.79)	-0.22*	3.60 (0.67)	3.71 (0.58)	-0.11	3.64 (0.71)	3.74 (0.66)	-0.10
<b>Total</b>	<b>Merchandising Perception</b>	<b>3.49 (0.80)</b>	<b>3.96 (0.77)</b>	<b>-0.47*</b>	<b>3.40 (0.73)</b>	<b>3.71 (0.57)</b>	<b>-0.31*</b>	<b>3.49 (0.78)</b>	<b>3.70 (0.61)</b>	<b>-0.21*</b>
MSP2	Discount	2.93 (0.77)	3.76 (1.03)	-0.83*	3.81 (0.79)	3.29 (0.77)	0.52*	2.54 (0.64)	3.88 (0.82)	-1.34*
	Offers	3.03 (.78)	3.80 (1.03)	-0.77*	3.71 (.80)	2.29 (.90)	1.42	2.84 (0.57)	3.80 (0.90)	-0.96*
	In store promotions	2.96 (0.91)	3.98 (1.01)	-1.02*	3.73 (0.79)	3.32 (0.80)	0.41	2.72 (0.59)	3.82 (0.79)	-1.1*
	Reasonable price	3.15 (1.05)	3.85 (0.92)	-0.70*	3.78 (0.50)	3.09 (0.73)	0.69*	3.80 (0.81)	3.92 (0.79)	0.12

Factor		Shopping Mall			Hypermarket			Super Market		
		After visit	Before visit	T value	After visit	Before visit	T value	After visit	Before visit	T value
<b>Total</b>	<b>Furtherance perception</b>	<b>3.01 (0.87)</b>	<b>3.84 (0.99)</b>	<b>-0.83*</b>	<b>3.75 (0.72)</b>	2.99 (0.80)	<b>0.34*</b>	<b>2.97 (0.65)</b>	<b>3.85 (0.84)</b>	<b>-0.88*</b>
MSP3	Helpful employees	3.84 (0.89)	3.66 (0.97)	0.18	2.96 (0.83)	2.97 (0.77)	-0.01	3.42 (0.68)	3.52 (0.78)	-0.10
	Individual attention	3.80 (0.87)	3.69 (0.97)	0.11	2.68 (0.82)	2.96 (0.75)	-0.28*	3.12 (0.85)	3.48 (0.80)	-0.36*
	Enough employees	3.80 (0.85)	3.69 (0.98)	0.11	2.64 (0.81)	2.94 (0.77)	-0.30*	3.40 (0.68)	3.50 (0.82)	-0.10
<b>Total</b>	<b>Service perception</b>	<b>3.81 (0.87)</b>	<b>3.68 (0.97)</b>	<b>0.13</b>	<b>2.76 (0.82)</b>	<b>2.95 (0.76)</b>	<b>-0.19</b>	<b>3.31 (0.73)</b>	<b>3.50 (0.80)</b>	<b>-0.19</b>
MSP4	Convenient location	3.73 (0.60)	4.00 (0.49)	-0.27*	4.17 (0.59)	3.94 (0.25)	0.23*	3.82 (0.79)	3.84 (0.55)	-0.02
	Parking	3.58 (0.77)	4.06 (0.54)	-0.48*	3.32 (0.65)	3.94 (0.25)	-0.62*	3.66 (0.65)	3.82 (0.52)	-0.16
	One stop destination	3.52 (0.79)	4.06 (0.55)	-0.48*	4.17 (0.42)	3.94 (0.25)	0.23*	3.70 (0.83)	3.82 (0.51)	-0.12
<b>Total</b>	<b>Locale perception</b>	<b>3.61 (0.72)</b>	<b>4.04 (0.52)</b>	<b>-0.43*</b>	<b>3.88 (0.55)</b>	<b>3.94 (0.25)</b>	<b>.06</b>	<b>3.72 (0.75)</b>	<b>3.82 (0.52)</b>	<b>-0.10</b>
MSP5	Price displays	4.12 (0.94)	3.84 (0.49)	0.45*	3.86 (0.56)	3.59 (0.61)	0.27*	3.92 (0.79)	3.34 (0.87)	0.58
	Easy checkouts	4.14 (1.01)	3.50 (0.49)	0.52*	3.83 (0.59)	3.15 (0.61)	0.68*	3.26 (0.92)	3.34 (0.87)	-0.08
	Multiple payment options	4.25 (1.02)	3.48 (0.53)	0.47*	4.12 (0.38)	3.16 (0.61)	0.96*	3.26 (0.92)	3.52 (0.83)	-0.26
<b>Total</b>	<b>Remittance perception</b>	<b>4.17 (1.07)</b>	<b>3.67 (0.51)</b>	<b>0.56*</b>	<b>3.93 (0.51)</b>	<b>3.30 (0.61)</b>	<b>0.63*</b>	<b>3.48 (0.87)</b>	<b>3.40 (0.85)</b>	<b>0.08</b>
<b>Grand total</b>	Marketing stimuli's perception	<b>3.61 (0.83)</b>	<b>3.78 (0.75)</b>	<b>-0.17*</b>	<b>3.55 (0.66)</b>	<b>3.60 (0.59)</b>	<b>-0.05</b>	<b>3.34 (0.75)</b>	<b>3.65 (0.72)</b>	<b>-0.31*</b>

Source: Survey data

As evident from the above Table, consumer “marketing stimuli” has positive in all the formats. The sample means are more than three as against the maximum value of five, indicating that more than 60% positive perception. While we

comparing the before visit store choice perception with after visit the mean scores have decreased significantly in the case of shopping mall and supermarket (Mean 3.61 vs. 3.78;  $p < 0.001$ , Mean 3.34 vs. 3.65;  $p < 0.001$ ) respectively.

Additionally, when we explore factor wise marketing stimuli perception, there is significant change in consumer's perception with regard to "Merchandising" after they were visited the organized retail outlet, even though they have positive perception but it has decreased significantly. However, after their visit to the store, consumers perceived that the Hypermarkets offer more "Furtherance" services, compared to the other two formats. This is revealed from the mean score (3.7 Vs. 4.1;  $p < 0.001$ ). Although, consumers perceived that the "Service" factor are less in Hypermarkets, as their perception was decreased significantly after their visit to the outlet (Mean 2.7 Vs 2.9;  $p < 0.001$ ). After their visit to the Shopping Mall consumers perceived that the "Locale" factor are not as much high as they think earlier, their perception in this regard has decreased significantly with mean value (3.61 vs. 4.0;  $p < 0.001$ ). Pertaining to "Remittance" factor respondents has same perception before and after visit. Further detailed information can be seen in the above table.

Component wise analysis communicate that after their visit to the organized retail outlet, the consumer's perceived that merchandise quality, variety and brand selection are not matching with the high perceived level as they set before. The consumers perception of merchandise quality has decreased significantly after their visit to the shopping mall (mean score 3.4 vs. 3.9;  $p < 0.001$ ). Consumers merchandise quality perception remain positive even after their visit to Hypermarket and Supermarket.

After a retailer decides on the product quality to carry consistent with its merchandising philosophy, it determines the width and depth of assortment. In the present study width of assortment is measured by the number of brands the organized retailer carries and depth by the variety of assortment within each brand. After visiting the organized outlet, consumers realize that the availability of different range of brands is not enough as they perceived earlier. Brand availability in hypermarkets is below the average level (Mean 2.9 s. 3.7;  $p < 0.001$ ), and the

perception has fall short in Shopping Mall (Mean 3.4 vs. 3.9;p<0.001) and also in Supermarket (Mean 3.0 vs. 3.6;p<0.001). With regard to merchandise variety, after their visit to the outlet, consumers realize that there is comparatively low level of merchandise variety than they perceived before their visit in Shopping Mall (mean score 3.5 vs. 3.7;p<0.001). However, there is no perceptual change as regards to variety in Hypermarket and in Supermarket. Therefore, in the case of different aspects of merchandising there is a variation in perception among different formats.

In different formats, consumer's perception has different in respect of discount availability also. In Hypermarkets the consumer's perception has significantly improved about the availability of discount than they have perceived earlier (mean score 3.8vs 3.2; p<0.001), but in Supermarkets (mean score 2.5 vs. 3.8; p<0.001) and Shopping Mall (mean score 2.9 vs. 3.7; p<0.001) their perception level has decreased after their visit to the retail outlet.

The consumers perceived that Shopping Malls and Supermarkets are not providing lots of offers and in store promotions, moreover the prices are not as reasonable as they think earlier (mean score 2.5 vs. 3.9;p<0.001). But in the case of Hypermarket consumers perceive that they provide more offers and in store promotions as well as their prices are reasonable (mean score3.8 vs. 3.4; p<.001). Hence, consumers perceived that **furtherance** aspects of organized retail outlets are not attractive as they claimed.

With regard to the service perception, consumers have perceived that they get more individual attention of employees in Shopping Malls compared to the other two formats and they realize that the number of employees in Hypermarkets are not enough (mean score 2.6vs 2.9;p<.001). In Hypermarket consumers perception in connection with shop floor service aspects are low. This confirms the findings of Berman, 2005 that the customer service in discount oriented stores having self-service, little product knowledge on the part of sales person and no display. Consumers perceived that Hypermarkets are located in the **convenient place** compared to the other two formats (mean score 4.1 vs. 3.9; p<0.001) whereas, parking facility in all the formats are not up to the expected level as they perceived

earlier (mean score 3.5 vs. 3.9;  $p < .001$ ). Perception on one stop destination has increased among the Hyper market consumers (Mean 4.1 vs. 3.9;  $p < .001$ ).

In connection with “**remittance**” aspects consumer’s perception has improved after their visit to the organized outlet. The respondents perceived that remittance is better in all types of organized formats. Further component wise analysis can be seen in the above table.

From the foregoing discussion, we can infer that even though consumer’s have higher level of positive marketing stimuli perceptions; there is a significant decrease in that after they visited the organized retail outlet. Their perception relating to almost all factors have decreased after the visit to the store, but the salesperson related perception has not significantly changed. Most of the respondents may already set a schema that organized outlets are self-service stores, so a falloff in sales persons services does not much influence their inference related to that aspect.

Further, the format wise analysis result reveals that consumer’s Merchandising quality perception has decreased after their visit in shopping malls significantly. While analyzing the reason behind the phenomenon, it can connect to the basic aspects of merchandising, as merchandise quality must be directly related to the perception that customers have of the retailer. Since customers have better store image for the Shopping Mall, their perception also will be high in connection with quality and variety (Berman, 1995). In addition, organized retailing is only in its nascent stage in Kerala, full-fledged Shopping Malls especially in southern region are not developed so far. Consumer’s use different variables, to determine the quality of a product. This quality lies in the eyes of the consumers in question. What may be seemed to be of high quality to one consumer may be inferior to another. Even though many consumers’ uses price as an indicator of product quality, there are doubts in consumers mind whether there is a relationship between price, value and product quality. The overall merchandising strategy should be consistent with the merchandise quality, the firm must first choose its quality level of merchandise, that it carry top line expensive items and sell to upper income customers? Or should

it carry moderately priced items and cater to middle income customers? Or should it carry bottom line, inexpensive items and attract lower income customers? Or should it try to draw more than one market segment by offering a variety in quality, such as middle and top-line items for middle and upper income shoppers (Barry berman, 2005). Merchandise quality must be matched to the wishes of the desired target market.

In Hypermarkets the perception with regard to wide range of brands has decreased below average level, after consumers visit to the outlet. Mostly, the Hypermarkets in Kerala try to sell more products from their own brand categories (Such as Shristi, tasty treat etc.) hence consumer perceived that breadth of assortment low. In a retail setting, assortment strategies vary widely depending upon various factors. The study unveils that the range of brands (Assortment breadth) available in Hypermarkets are low compared to Shopping Malls, while, the varieties available in each brands are more. The findings contradicts with the findings of Zentes & Schramm-Klein, (2007) that Hypermarkets keeps a large assortment of products that are both of good and average quality; their national brands are of high quality, while the private labels are of moderate quality. Consumer's perception of breadth and depth of different products and services offered by a retailer will significantly influence store loyalty. The benefits of broad assortment are clear. First, the greater the breadth and depth of product assortment, the greater the range of different situations in which a retailer is recalled by the consumer. Second, broad product assortment enables one stop shopping convenience (Messinger & Narasimhan 1997). Third, consumers regularly shop at more than one store and they may purchase a category in the store that they visit based on in-store assortment and marketing mix activities they would have otherwise purchased in another store. Together with the fact that unplanned purchases comprise a significant portion of consumer's total shopping basket, this gives an advantage to retailers with broader assortment (Amit & Ruchi, 2008).

A retailer must choose the proper mix of manufacturer, private and generic brands to carry (E.Khan, 1998). Several factors are likely to influence a retailer's

choice of product variety (Lancaster, 1991). The impact on sales and profit should be evaluated if variety is increased, space requirement also should be considered. Customers are living in an era of diversity where they demand more variety and assortment for all sorts of products ranging from cars to clothes. Consequently, consumers need for variety affects the quantitative and qualitative makeup of the assortment (Trichy krishnan, 2002), developed the notion of assortment consistency, which is a tacit commitment of a retailer to carry a given set of brands, sizes, colours from one period to another, so that a consumer who looks for his preferred brands will be able to find them for sure at that retail store.

There is variation in perception of **Furtherance aspects** among the three formats. Consumer's perception in connection with hypermarket has increased, however it has decreased in the other two formats. Result revealed that respondents have the opinion that Hypermarkets provide superior quality products and offers reasonable prices & promotions. The result is in line with the findings of Piyush kumar & Sanjay (2007) that hyper markets creates superior value for money advantage. They also report that the value proposition of Supermarket is different from Hypermarket, as they do not play the game on price rather use convenience and affordability as their salient features. However the present study reveals that along with convenient location (mean score 3.82), they also provide reasonable price (mean score 3.80). Further, consumers perceived that discount, offers and in store promotions are comparatively low in shopping malls than in Hypermarkets and supermarkets. Retailers may follow a discount orientation, at-the-market orientation or upscale orientation depending up on the format type and image they desired in the consumer's mind. A discount orientation uses a low status image, fewer shopping frills; low per unit profit margins means a target market of price based customers, low-operating cost and high inventory turnover. As the Hypermarkets generally follow a discount based strategy, the consumer furtherance perception regarding Hypermarket is also likewise.

Pertaining to the **service perception**, it has decreased after visit in Hypermarkets, but does not show significant difference. Retailers face a special



human resource environment-characterized by a large number of inexperienced workers, long hours, highly visible employees, many part time workers and variability in customer demand. These factors often make the hiring, staffing and supervision of employees a complex process. In retailing, trusting relationships between sales- people and customers should be associated with positive outcomes at the store level in the form of a more positive overall attitude toward the store. This result is likely because having a salesperson that one can trust should increase the benefits derived from the overall shopping experience (Swan and Nolan, 1985). Most sales researchers focused on the attitude component of “commitment” for testing continued relationship (Crosby et al., 1987).

The study also found that in Hypermarket formats consumer’s service related perception is low compared to Shopping Malls and Supermarkets. The Hypermarkets may try to implement Key Account Management in service department. Harish Bijoor, (2017) in one study suggests the need for emergence of Key Account Management amidst the fraternity of sales persons in the country. A key account manager is really a salesperson who is also a friend, philosopher and guide to the macro format retailer emerging in the Indian market. The KAM focuses on the full relationship between the business and the customers they are selling to, and describes the individual approach of sales people to their customers in order to create over lasting business relationships.

**Location** is considered to be a key component of retail strategy of any store. Surprisingly, majority of the organized outlets are located near accessible roads, there is still a perceived variation in convenience to access. Consumer’s perception as regards to convenience has increased in Hypermarkets after their visit, while it has decreased in Shopping Mall. This is probably due to the differences in the stores proximity to public transports. Also, the stores are located in different shopping centers with varying availability of car park facilities, so there is significant perceptual variation in that locale aspect. Since, consumer’s intention to acquire multiple items or single item will influence the concept “one-stop destination”, the non-availability of wider assortment and better prices will force them to visit other

stores also.

Indian retail units have to struggle on account of the shortage of real estate for new projects. Retail space in central business districts is out of reach for retailers due to price and high demand as pointed out by Sajal Gupta (2008) that in a survey among Indian consumers, majority of consumers who prefer to shop at small neighborhood stores said their main reason was the stores proximity to their homes. As organized retailing is mainly an urban oriented phenomenon, easy access for urgent needs is difficult for customers. Further as it is in its initial phase several challenges need to address by retailers, such as real estate issues, legal frameworks etc. This will hinder the proper availability of parking. The study reveals that majority of consumers do not prefer to buy all types of products from one roof, they buy specific products only. So they may not feel shopping from organized outlet as a one stop destination.

The retail industry in India is in a phase of transition and hence is likely to face a whole new set of challenges. For one, generating large free cash inflows for expansion is not easy. They have to face several challenges; prominent amongst these are real estate issues, capital availability, legal frameworks, human resources and supply chain development and management. Bottlenecks in the supply chain result in limited assortments and increased cost of sourcing (Sajal Gupta, 2008). Hence, they can't share the benefit of direct sourcing to consumers in the form of lower prices. The high cost of real estate owing to constrained supply is also a major factor inhibiting the growth of large retail formats. They cannot provide better quality and fresh products and large discounts and promotions as they promised due to high cost of operations. In addition, limited supply of trained workforce is another hindering force.

Most of the organized retail formats have set up shop in India in the post liberalization era. Although different types of retailers or retailing have emerged; the successful ones are those who have been able to attract and maintain a significant customer base. The retailer must take care while developing suitable retail strategy and have a suitable sales mix elements.

## **Store Atmosphere**

The concept of atmosphere is ambiguous and in the same time it is a commonly used term both in everyday life and in the business context. The store atmosphere, becoming a largely adopted retailing strategy and is also a subject matter that gained a growing interest among researchers and practitioners. Several researchers focused on identifying the environmental components and particularly their influence on consumer behavior (Kotler, 1973; Baker 1968; Berman and Evans, 1995; Binter, 1992etc). Evidence from environmental psychology supports the notion that people form inferences about a focal object or person based on environmental cues. This has been supported from the findings of marketing literature also. For example, Binter, (1990) found that subjects formed attributions about service failures based on the physical environment of the travel agency.

Consumers with incomplete information about merchandise or service quality tend to base purchase decisions on inferences they make from various information cues (Zeithmal, 1988).The retail store environment offers a multitude of stimuli that can serve as cues to consumers looking for this information processing shortcut or heuristic. For example, a store with low level lighting and muted but fashionable colors may lead customers to infer that the store sells high quality merchandise or high quality service. Kotler (1973) says that the atmosphere variables influence consumer behavior by creating attention, by communicating an image and level of service to actual or potential visitors, and by stimulating affective responses.

The one purpose of this study is to investigate a retailer physical environment and its role in evoking varying levels of emotions among patrons. Donovan & Rossitor (1982) found that positive affect encourages a shopper to stay longer and simplify a consumer decision making style while negative affect leads desire to leave. Baker (1994) says, better store atmosphere will create positive affect among consumers and that will have an influence on improved merchandise and service quality perceptions. In this study, the emotional influence of store atmosphere is measured on a five point scale.

Table 5.8

*Store Format Wise Store Atmosphere Perception*

Variables	Shopping Mall		Hyper Market		Super Market		Total (Mean)	Total (S.D)	F Value
	Mean	S.D	Mean	S.D	Mean	S.D			
Layout	3.92	0.99	3.36	0.88	3.80	1.02	<b>3.69</b>	<b>1.01</b>	<b>13.4*</b>
Public areas	3.80	0.91	2.78	0.85	3.39	1.00	<b>3.32</b>	<b>0.97</b>	<b>10.5*</b>
Cleanliness	4.47	0.53	4.00	0.00	3.88	0.96	<b>4.09</b>	<b>0.69</b>	<b>5.2*</b>
Attractive smell	3.46	0.99	2.85	0.92	2.78	0.74	<b>3.03</b>	<b>0.94</b>	<b>26.1*</b>
Air-condition	3.88	0.81	3.22	0.79	3.60	0.96	<b>3.58</b>	<b>0.89</b>	<b>5.4*</b>
Music	3.22	1.12	3.00	0.95	2.52	0.53	<b>2.91</b>	<b>0.95</b>	<b>23.2*</b>
<b>Total</b>	<b>3.79</b>	<b>0.89</b>	<b>3.20</b>	<b>0.73</b>	<b>3.32</b>	<b>0.87</b>	<b>3.47</b>	<b>0.90</b>	<b>47.6*</b>

Source: Survey data

\* indicates p value < 0.05

The respondents evaluated the store atmosphere constructs by using a six item scale. It can be seen from the table that they have positive emotions towards retail store atmosphere. The mean score is 3.47 as against a maximum of five, indicates that approximately 70% of the respondents feel positive affect relating to store atmosphere in the organized outlets. Among different formats also the responses are positive; however it shows variation in their degree of affect. Store atmosphere creates high pleasant environment in shopping mall (mean score 3.79) compared to the other two formats (Hypermarket 3.20; Supermarket 3.32). This variation is also statistically significant at 5% level.

In addition, item wise analysis shows that consumers feel happy with regard to the layout (mean score 3.69) and air-condition facility (mean score 3.58) of the organized retail outlets. They felt excited when they are exposed to the clean surroundings of the store (mean score 4.09). However the in store music does create less emotional feeling (mean score 2.91).

Further, when we go into format wise analysis, the result indicates that there is a significant variation among formats. Consumer's experienced more pleasant environment from shopping mall as the mean score shows 3.7 as against a maximum of 5, indicates 70% positive feelings. In the other two formats also responses are positive. But the variation is statistically significant. Further details can be seen in the table.

While looking into the item wise analysis, firstly as regards to layout of the store, from the mean score it was revealed that informant's felt high positive affect towards the layout of the shopping mall (mean score 3.92) followed by the supermarket (mean score 3.80) and hypermarket (mean score 3.36). Still, informants feel that in Hypermarkets public areas for relaxation is not adequate. The mean score in this respect is only average (2.78). The consumers in the other two formats they felt high positive emotions with regard to public areas availability. This variation is also statistically significant (F value=10.5,  $p < 0.001$ ).

Consumers felt happy when they visit the Shopping Malls due to the presence of attractive smell (mean score 3.76), while they do not felt any positive emotion in this respect in the other two formats. Moreover, consumers feel that in Shopping Malls in store music creates a pleasant environment (mean score 3.22), while in other two formats the music does not create any emotional influence on the consumers. More detailed information can be seen in the table.

The study result reveals that layout of the store, air-conditioning and clean surroundings brought out more pleasant atmosphere, in addition better public areas and attractive smell influence their positive feelings. Background music does not show a positive emotional influence.

When we are looking into the store atmosphere provided by various retail formats, consumer's feelings are different in different formats with regard to various store atmosphere elements. In Shopping Malls, consumers seem to have positive emotions as regards almost all store atmosphere elements. However, in Hypermarkets consumer's feelings are not much pleasant with regard to attractive smell & music. Similar is the case in Supermarket also. Consumers have the feeling

that Hypermarket does not provide adequate public areas as it is necessary whenever consumers accompany elder persons or children along with them for their shopping trips.

Emotions associated with store atmosphere elements will influence shopping activities. If consumers felt positive emotions there is a greater likelihood of product acquisition. Contrasting with positive affect, consumers who felt negative emotions become less likely to fulfill their intended purpose (Attway, 2000). Hypermarket & Supermarket managers should improve the attractive smell in the store, because studies found that, of the five senses, smell is considered to be the most closely attached to emotional reactions. Christoph teller, (2009) also report that, adding a pleasant fragrance to a product display results in higher levels of positive attitude towards the product, purchase intention and willingness to pay higher prices.

Engelene, (2016) studied about five aspects of music, the aspects are volume, tempo, style/type/genre, familiarity, and likeability. They found that, Loud and/or fast music leads mostly to avoiding behavior, while slow and/or quite music triggers approaching behavior. Style and type of music lead mostly to approach behavior, when it is applied correctly. Familiarity can trigger both approach and avoidance behavior, depending on what purpose it is used. Liked music leads most of the time to approach behavior. Approach behavior will result in an increased evaluation of the store, longer shopping times or even more purchases. So music should be applied appropriately through understanding its various influences on the target market.

In Hypermarkets, consumers do not feel a pleasant air conditioning. Davidson, (1988) tells that a store where the air conditioning failed and the air are hot and stuffy may result dissatisfaction. Instead of making more time to shop, consumers who feel uncomfortable may hurry to make the intended purchase and leave the store. So Hypermarket manager should maintain a proper temperature, in accordance with the changing climatic conditions.

## **Store Commitment**

Commitment is a complex construct that has been defined in a number of ways in the marketing discipline. For the most part, marketing scholars have been conceptualized commitment as an attachment between two parties that leads to a desire to maintain a relationship (Moorman et al 1992, Morgan & Hunt 1994). In essence customer commitment is a psychological force that links the customer to the organization with which customer does the business. Many researchers in marketing have borrowed this concept from the organizational behaviour literature where there is a rich tradition of research on the organizational commitment construct (Fullerton, 2003). A well-accepted position in this field is that organizational commitment consists of three distinct components; Affective, Continuance and Normative commitment. The present study also borrows this conceptualization (Allen & mayor 1990).

Primarily, affective commitment is the highest level of commitment reflects the emotional attachment to the commitment object (Allen& Meyer, 1990). It is the force that binds customers out of desire, customers liking and positive feelings towards the company (Fullerton, 2003). Continuance commitment on the other hand is defined as the “perceived cost associated with leaving the organization” (Meyer et al 1993). The customer recognition of the cost is evaluated based on both switching costs and the availability of other alternatives. Normative commitment represents a force that binds customers to the company from a sense of moral obligation (Allen Meyer 1990). The construct of normative commitment, considering the theory of reasoned action, can be as a result of two basic determinants, one as a function of inner belief and the other reflecting the influence of external social pressure from Colleagues, friends or family (Ajzen & Fishbein 1980). To know the presence of consumer’s commitment towards organized outlet and whether it varies with different formats is the problem in our hand. The relevant information has been collected from the informants and presented in table 9 given below.

Table 5.9

*Showing Format Wise Store Commitment*

Variables	Shopping Mall		Hyper Market		Super Market		Total Mean	Total (S.D)	F Value
	Mean	S.D	Mean	S.D	Mean	S.D			
Enjoyment	3.34	0.92	4.05	0.86	3.46	1.02	<b>3.62</b>	<b>0.98</b>	<b>24.28*</b>
Safe & secure	3.37	1.08	4.02	0.84	3.39	1.08	<b>3.59</b>	<b>1.05</b>	<b>19.80*</b>
Identification	3.37	1.02	3.97	0.82	3.39	1.09	<b>3.58</b>	<b>1.02</b>	<b>17.74*</b>
Attachment	3.42	1.01	3.88	0.77	3.44	1.09	<b>3.58</b>	<b>0.99</b>	<b>10.58*</b>
<b>Affective commitment</b>	<b>3.37</b>	<b>1.00</b>	<b>3.98</b>	<b>0.82</b>	<b>3.42</b>	<b>1.07</b>	<b>3.59</b>	<b>1.01</b>	<b>20.60*</b>
Persons from my close circle also shop	3.08	1.17	3.06	1.14	3.19	1.13	<b>3.11</b>	<b>1.15</b>	<b>0.58</b>
Specialty of the products here	3.37	1.13	3.34	1.14	3.62	1.08	<b>3.47</b>	<b>1.12</b>	<b>1.97</b>
Offers & rewards makes me a feel of obliged	2.92	1.05	3.06	1.09	3.10	1.16	<b>3.03</b>	<b>1.10</b>	<b>1.18</b>
<b>Normative commitment</b>	<b>3.12</b>	<b>1.11</b>	<b>3.15</b>	<b>1.12</b>	<b>3.30</b>	<b>1.12</b>	<b>3.20</b>	<b>1.12</b>	<b>1.23</b>
No worthwhile alternatives	2.61	0.97	3.52	1.15	2.76	0.94	<b>2.96</b>	1.10	<b>33.4*</b>
Life will be disrupted	2.51	0.90	2.77	1.00	2.66	0.96	<b>2.65</b>	0.96	<b>2.71</b>
Lost of points & rewards	2.47	0.89	2.88	0.97	2.68	0.92	<b>2.68</b>	0.94	<b>7.39*</b>
<b>Continuance commitment</b>	<b>2.53</b>	<b>0.92</b>	<b>3.05</b>	<b>1.04</b>	<b>2.7</b>	<b>0.94</b>	<b>2.76</b>	<b>1</b>	<b>13.41*</b>
<b>Grand total</b>	<b>3.00</b>	<b>1.01</b>	<b>3.93</b>	<b>0.99</b>	<b>3.14</b>	<b>1.04</b>	<b>3.18</b>	<b>1.04</b>	<b>13.28*</b>

Source: Survey data

\* indicates p value &lt; 0.05

From the table, it can see that the mean score for consumer commitment is above three as against a maximum of five indicating that consumers have strong



commitment with the organized retail outlets. In addition, when we examined the format wise commitment, consumer commitment is higher in Hypermarket (mean score 3.93) followed by Supermarket (mean score 3.18), while it shows only average level in shopping malls. This variation in consumer commitment is also significant at 5% level with F value 13.28.

Further looking of the strength of each type of commitment, consumers affective commitment is more intense (mean score 3.58) than continuance (mean score 2.76) and normative commitment (mean score 3.20). When we go into the format wise comparison, we can see that affective commitment is higher (mean score 3.98) in Hypermarket, although it is positive in the other two formats also (Shopping mall 3.37; Super market 3.57), but its strength is not high as in Hypermarket. The variation is also statistically significant with (F value 20.60,  $p < 0.05$ ). Consumer's continuance commitment shows negative direction in both Shopping mall (mean score 2.58) and Supermarket (mean score 2.73). The variation is also statistically significant (F value 13.5,  $p < 0.05$ ). Further details can be seen in the above table.

Component wise analysis shows that consumer's enjoyment and attachment is higher in all types of organized outlets, whereas consumer feels scarcity of alternatives in the case of Hypermarket format (mean score 3.52). Detailed information can be seen in the above table.

From the foregoing discussion, we can conclude that consumer commitment shows a positive dimension, even though its strength is low. Consumers have strong affective commitment towards the organized outlet, while the strength of continuance commitment is low among organized outlets.

A format wise analysis unveils that affective commitment is higher in Hypermarkets, while normative and continuance commitment is least in Shopping Malls. As many studies report that (Dick & Basu 1994, Allen & Meyer 1990) affective commitment is positively related with relational outcomes, it will be beneficial to the store if it is managed properly. Relationship marketing literature consistently found that continuance commitment had a negative impact on customer switching intentions (Bansal et al. 2004; Fullerton 2003; Fullerton 2005).

Studies related to normative commitment says that individuals feel pressured that they ought to conform to the surrounding social environment, and they act compares their behavior to that of the social group that they feel belong to (Foxall, Goldsmith, and Brown 1998). It has been recognized as an influential concept to customer loyalty (Dick and Basu 1994), and empirical evidence show it to be negatively related to switching intentions (Bansal and Taylor 2004; Nysveen, Pederson, and Thorbjornsen 2005).

### **Store Loyalty**

Customer loyalty is probably one of the best measures of success in any business organization. Hence the development, maintenance and enhancement of customer loyalty remain a central focus of the majority of firms marketing activities (Dick& Basu 1994).Loyal customer help firms to lower marketing cost, solicit more customers, effectively increase market share, and are willing to pay premium prices (Riechheld, 1996, Acker 1998).The concept of store loyalty has evolved from brand loyalty with respect to tangible goods. Cunningham (1956 & 1961) was the first to extend brand loyalty into store loyalty using the same measures he had used earlier for brands. Hence, based on the concept of brand loyalty, at the store level, store loyalty refers to the tendency to repeat purchase at the same store for similar or other products (Osman, 1993).

Broadly, there are two schools of thought when it comes to define and operationalize brand loyalty. Many researchers (Ehrenberg et al., 1986) have defined brand loyalty strictly from a behavioral perspective. A common theme across this stream of work has been the attempt to look for a surrogate behavioral measure to operationalize brand loyalty. The major assumption here is that the purchasing could capture the loyalty of a consumer towards the brand of interest.

Thus, while some researchers have observed purchasing patterns and made conclusions based on the proportion of purchases devoted to a particular brand (Cunningham,1956; Blattberg & Sen, 1974), others have focused on the purchasing sequence (Khan et al., 1986; Mcconnel, 1968). In fact, many researchers have put lot of efforts over the years to (1) to distinguish between repeat purchase and brand loyalty and (2) to define brand loyalty- complex multi-dimensional phenomena on a single behavioral dimension (Jacoby & Kyner 1973). Finally, Day (1969) proposed

the two dimensional concept of loyalty in which loyalty should be measured according to behavioral and attitudinal criteria. Further, Taylor (1981) not only believed that loyalty is an attitudinal construct, but also argued that brand commitment is a representation of a kind of emotional or psychological attachment to the brand which is a behavioral phenomenon. Here the present study considered the two dimensional concept of store loyalty.

The behavioral loyalty is reflected through the frequency of visit, number of purchases made, length of relationship with the brand or company etc. Chauduri & Holbrook (2001) defined attitudinal loyalty in terms of consumer desire to continue relationship with the organization irrespective of lower prices offered by competitors, and to recommend product or service to others. The study analyses the loyalty among consumers, and tries to examine the extent of behavioral and attitudinal loyalty exhibited by the consumers.

Table 5.10

*Showing Format Wise Store Loyalty*

Variables	Shopping Mall		Hyper Market		Super Market		Total Mean	Total (S.D)	F Value
	Mean	S.D	Mean	S.D	Mean	S.D			
Frequently make purchases	2.92	1.28	2.76	1.16	3.31	1.24	3.00	<b>1.24</b>	<b>7.88*</b>
will make purchases in future	2.89	1.30	2.64	1.01	3.20	1.30	2.91	<b>1.23</b>	<b>7.77*</b>
Major monthly purchases	2.84	1.29	2.42	0.94	3.19	1.30	2.82	<b>1.23</b>	<b>15.50*</b>
<b>Behavioural loyalty</b>	<b>2.88</b>	<b>1.29</b>	<b>2.60</b>	<b>1.03</b>	<b>3.23</b>	<b>1.28</b>	<b>2.91</b>	<b>1.23</b>	<b>11.13*</b>
Recommend	3.10	1.19	3.75	0.82	2.97	1.11	3.27	<b>1.11</b>	<b>23.24*</b>
Ideal place	3.20	1.11	3.68	0.79	2.98	1.07	3.28	<b>1.06</b>	<b>18.68*</b>
Say positive	3.38	1.09	3.76	0.82	3.06	1.09	3.04	<b>1.05</b>	<b>18.30*</b>
<b>Attitudinal loyalty</b>	<b>3.22</b>	<b>1.13</b>	<b>3.73</b>	<b>0.81</b>	<b>3.00</b>	<b>1.09</b>	<b>3.19</b>	<b>1.07</b>	<b>14.20*</b>
<b>Grand total</b>	<b>3.05</b>	<b>1.21</b>	<b>3.16</b>	<b>0.92</b>	<b>3.11</b>	<b>1.18</b>	<b>3.05</b>	<b>1.5</b>	<b>0.727</b>

Source: Primary data

\* indicates p value < 0.05

From the table it can be seen that consumers have loyal in the organized retail outlets as indicated by the mean score value of 3.05, as against a maximum of 5, which shows 60% responses favorable with the loyalty measurement items. Further looking of the format wise analysis, mean scores are above three, which indicates that consumer's shows loyalty in all organized outlets. However there is a variation in the degree of strength between formats. Hypermarkets (Mean score 3.16) consumers are highly loyal followed by Supermarket (Mean score 3.11) and shopping mall (Mean score 3.05). However this variation is not statistically significant as indicated by the F value.

When we analyzing the components, behavioral loyalty shows negative result (mean score 2.9) which indicates consumers repeat purchasing behavior is low in organized outlets, the format wise comparison shows in Supermarkets (mean score 3.23) consumers shows behavioral loyalty, whereas in Hypermarkets (mean score 2.6) and Shopping Mall (mean score 2.8) it is very low. This variation is also statistically significant (F value 11.13,  $p < 0.001$ ). Further information can be seen in the table.

The result indicates that consumers have favorable attitudinal loyalty towards organized outlets. Format wise analysis shows that they have higher attitudinal loyalty in Hypermarkets (Mean score 3.73) followed by Shopping mall (Mean score 3.22) and Super market (Mean score 3.0).

From the forgoing analysis it can be inferred that consumer's loyalty towards organized outlet in general is favourable, whereas component wise analysis shows behavioral loyalty is less than attitudinal loyalty. This result is supported by some earlier studies as (Dick & Basu 1994) report that in addition to relative attitude, repeat patronage may be influenced by subjective norms and situational factors. These may be viewed as non-attitudinal sources of variance in purchase behaviour. In certain purchase context these might either complement or contradict an attitude. Thus the influence of social/situational factors on loyalty behavior provides strategic direction to managers for devising appropriate measures.

## **Influence of store atmosphere and marketing stimuli perception on store commitment and loyalty**

To develop a framework describing the nature of store loyalty behavior based on the influence of store atmosphere, marketing stimuli perception and store commitment. The present study used Warp PLS to analyse the linkage the extent of influence exerted by each of the factors on the other.

The effect of store atmosphere on customer behavior within a store has been studied by several environmental psychologists. A number of researchers have applied the Mehrabian-Russel model to store environment studies [Anderson P., (1986); Dawson, Bloch, & Ridgway, (1990); Golden & Zimmer, (1986); Sherman & Smith, (1983)]. This leading environmental psychology approach is based on the Stimulus- Organism-Response paradigm (S-O-R). In an organized retail context the store atmosphere act as the stimuli (S) that drive consumer evaluations (O), and then influence their behavioral responses (R).

Perception management scholars have particularly looked at different informative signals and strategies that affect the perceptions of external audience and how these perceptions affect stakeholders' behavioral reactions toward the company (Brown & Dacin, 1997; Elsbach & Glynn, 1996; Rao, 1994; Rindova, Williamson, & Petkova, 2005). Scholars tend to emphasize that informative signals can intensify stakeholders 'emotional attraction towards a firm, eventually leading to stronger identification with the organization and inherently positive behaviors toward the firm (Bhattacharya & Sen, 2003; Fombrun & Van Riel, 2004). Haldener (2008) studied the perception management as a linkage between organizational identity expressions (signals), stakeholder's perception and behavioural intention towards the organization.

The present study combines these two streams of research, and tries to devise perception management model by using S-O-R. Our empirical framework integrates theories from cognitive, environmental psychology and perception management. Evidence from environmental psychology supports the notion that people form inferences about a focal object or person based on environmental cues. Binter,

(1990) found that subjects formed attributions about service failures based on physical environment of a travel agency. Likewise, it may happen that consumers with incomplete information about merchandise or service quality tend to base purchase decisions on inferences they make from various information cues. The retail store environment offers a multitude of stimuli that can serve as cues to consumers looking for the information processing shortcuts or heuristics.

The proposed model of the study incorporates insights from Bakers (1992), Azeem (2012) and Binter (1992) conceptualisation of how store environment influences consumer decision making. To conceptualize how the store environment can influence n consumer loyalty, the overall sequence of effect in our model is that the store atmosphere influences the marketing stimuli perception which will in turn influence store commitment and store loyalty. Consumer's perception in our model refer to inferences about the merchandising, furtherance , service, locale and remittance that consumers would expect in a store on the basis of store environmental cues. As such the model is especially appropriate when potential customers have limited prior knowledge about a stores offering.

### **Structural Equation Model for marketing stimuli perception on store loyalty**

The structural model output obtained from Warp PLS is depicted in figure1 given below. This is the integrated model for all three retail formats. The arrows are the path coefficients (beta value) and the path significance (p-value).

Figure 5.1: Integrated Model

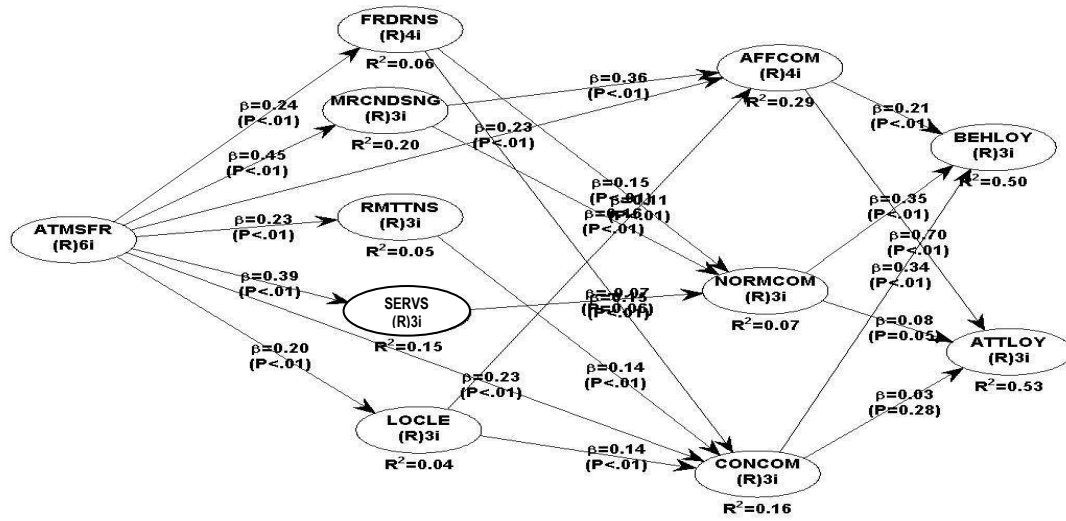


Table 5.11

Model Fit Indices and p values

APC = 0.236, P<0.001
ARS = 0.206, P<0.001
AVIF = 1.183, Good if < 5

It was found that, all the three fit criteria were met and hence it was assumed that the model had acceptable predictive and explanatory quality as the data is well represented by the model.

**Validation of marketing stimuli perception scale (Measurement model)**

To ensure that the instrument developed to measure marketing stimuli perception was indeed measuring the construct, the goodness of fit measures was assessed by testing the reliability and validity of the instrument. Convergent and discriminant validity of the model were tested by using warp Pls 6.0.

In the model above, the independent variable, store atmosphere is measured by using six reflective indicators (which is indicated as R 6i) and dependent variables such as Merchandising, Personnel, Remittance and Locale are measured by using three indicators each, except Furtherance factor, which consists of four indicators. The reliability and validity of the latent variables and their observed indicators are assessed through various indices which are given in table 5.12.

Table 5.12

*Latent variable correlation-Store atmosphere &Marketing Stimuli Perception Scale*

<b>Latent variable</b>	<b>Indicators</b>	<b>Loadings (Convergent validity)</b>	<b>Cronbach alpha</b>	<b>Composite reliability</b>	<b>AVE</b>	<b>VIF</b>
<b>Store atmosphere</b>	Layout	0.70**	<b>0.739</b>	<b>0.822</b>	<b>0.537</b>	<b>1.51</b>
	Public areas	0.66**				
	Attractive smell	0.66**				
	Air-condition	0.75**				
	Music	0.56**				
	Cleanliness	0.58**				
<b>Merchandising</b>	Product quality	0.86**	<b>0.792</b>	<b>0.878</b>	<b>0.707</b>	<b>1.50</b>
	Wider brands	0.78**				
	Variety	0.87**				
<b>Furtherance</b>	Discount	0.89**	<b>0.881</b>	<b>0.919</b>	<b>0.742</b>	<b>1.51</b>
	Offers	0.89**				
	In store promotions	0.91**				
	Reasonable price	0.73**				
<b>Remittance</b>	Price displays	0.71**	<b>0.851</b>	<b>0.915</b>	<b>0.786</b>	<b>1.10</b>
	Easy billing	0.96**				
	Multiple payment	0.96**				
<b>Service</b>	Helpful employees	0.93**	<b>0.938</b>	<b>0.960</b>	<b>0.889</b>	<b>1.19</b>
	Individual attention	0.94**				
	Enough employees	0.95**				
<b>Locale</b>	Convenient	0.83**	<b>0.697</b>	<b>0.833</b>	<b>0.628</b>	<b>1.19</b>
	Parking	0.65**				
	One stop	0.87**				

\*\* indicates  $p < 0.01$



The first one to check is **convergent validity**. Two criteria are recommended as the basis for concluding that a measurement model has acceptable convergent validity: “p” values associated with the loadings should be lower than 0.05 and loadings for indicators of all respective latent variables must be 0.5 or above for the convergent validity of a measure to be acceptable (Hair et al., 2013). In the study, the factor loadings associated with the latent variables ranged between 0.58 and 0.96, as shown in Table and hence it is reasonable to assume that the measurement model for marketing stimuli has acceptable convergent validity. The “P” values associated with the loadings were all lower than 0.001. Since there were no indicators for which these criteria were not satisfied, there is no need to remove any of the indicators and the convergent validity of the scale is established. The validity and reliability guidelines in WarpPLS6.0 can be seen in methodology chapter.

For a measurement instrument to have good **reliability**, both the composite reliability and Cronbach’s alpha coefficients should be equal to or greater than 0.7 (Fornell & Larcker, 1981; Nunnally & Bernstein, 1994). As seen in Table, the composite reliability coefficients ranged from 0.822 to 0.960 and the Cronbach’s alpha coefficient between 0.739 and 0.938, both well above the 0.7 threshold. It was therefore concluded that the measurement model has acceptable reliability.

As a rule of thumb, full collinearity VIFs of 3.3 or lower suggest the existence of no multi collinearity in the model (Kock, 2012). All variance inflation factors (VIF) were less than 3.3, indicating that multi collinearity and high inter-associations among latent variables were not present in the data.

### **Discriminant Validity**

On the diagonal of the latent variable correlations table (Table 13) are the square roots of the average variances extracted for each latent variable. As seen in Table 13, the square root of average variance extracted for each variable (shown in parentheses) was higher than any other values above or below it or to its left or right. Thus discriminant validity of the measurement model was established.

Table 5.13

*Latent variable correlation – Marketing Stimuli Perception Scale*

	<b>Mercnds</b>	<b>Furthrns</b>	<b>Remittns</b>	<b>Persnnl</b>	<b>Locale</b>
<b>Merchandise</b>	<b>(0.840)</b>	0.297	0.142	0.160	0.289
<b>Furtherance</b>	0.297	<b>(0.861)</b>	0.086	0.007	0.282
<b>Remittance</b>	0.142	0.086	<b>(0.886)</b>	0.124	0.112
<b>Service</b>	0.160	0.001	0.007	<b>(0.942)</b>	0.060
<b>Locale</b>	0.289	0.282	0.282	0.060	<b>(0.792)</b>

**Assessment of Structural Model**

In PLS based SEM analysis, path coefficients are referred to as beta ( $\beta$ ) coefficients. The explanatory power of the structural model is evaluated by examining the squared multiple correlation ( $R^2$ ) value of the dependent constructs. The  $R$  squared coefficient measures the percentage of variation that is explained by the model.

Table 5.14

*Path coefficient relationship between store atmosphere &Marketing Stimuli perception*

<b>Relationships</b>	<b>Path co-efficient</b>
Store atmosphere→Merchandising	0.45**
Store atmosphere→Furtherance	0.24**
Store atmosphere→Remittance	0.23**
Store atmosphere→Service	0.39**
Store atmosphere→Locale	0.19**

From the table it can be seen that, the store atmosphere has significant influence on merchandising perception of consumers. Store atmosphere significantly influence consumers perception about furtherance (0.24,  $p < 0.01$ ) and remittance (0.23,  $p < 0.01$ ), which indicates that one unit change in store atmosphere would change furtherance perception by 0.24 units and remittance by 0.23 units. The influence of store atmosphere on perception about service aspect is also significant

(0.39,  $p < 0.01$ ). Through increase in store atmosphere components consumer's perception about service aspects can be enhanced. The result reveals that consumers perception of locale convenience can also be increased through better store atmosphere (0.19,  $p < 0.01$ ). Comparing the path coefficients, it can be seen that store atmosphere has the highest impact on merchandising perception. Further details can be seen in the table.

### Validation of Store Commitment Scale (Measurement Model)

The study adopts various commitment scales used by past researchers and transforms it into retail context, hence prior to testing the structural model, measurement model validity of store commitment scale is ensured.

Table 5.15

*Measurement model (Store commitment) evaluation*

Latent variable	Indicators	Loadings	Cronbach alpha	Composite reliability	AVE	VIF
<b>Affective commitment</b>	Enjoyment	0.90**	<b>0.948</b>	<b>0.962</b>	<b>0.865</b>	<b>2.52</b>
	Safe & secure	0.94**				
	Identification	0.95**				
	Attachment	0.92**				
<b>Normative commitment</b>	Personal relationships	0.91**	<b>0.890</b>	<b>0.932</b>	<b>0.820</b>	<b>1.77</b>
	Special products	0.88**				
	Offers & reward in past	0.92**				
<b>Continuance commitment</b>	No worthwhile alternatives	0.87**	<b>0.913</b>	<b>0.945</b>	<b>0.853</b>	<b>1.69</b>
	If switch away, life disrupt	0.93**				
	Loss of points	0.95**				

\*\* indicates  $p < 0.01$

From the table 5.15 given, it can be seen that the factor loadings associated with the latent variables ranged between 0.88 and 0.95 and hence it is reasonable to assume that the measurement model for marketing stimuli has acceptable convergent validity. The P values associated with the loadings were all lower than 0.001. Since there were no indicators for which the criteria of convergent validity were not satisfied, there is no need to remove any of the indicators and the convergent validity of the scale is established. As stated before, the validity and reliability guidelines in WarpPLS6.0 can be seen in methodology chapter.

For a measurement instrument to have good **reliability**, both the composite reliability and Cronbach's alpha coefficients should be equal to or greater than 0.7 (Fornell & Larcker, 1981; Nunnally & Bernstein, 1994). As seen in the Table, the composite reliability coefficients ranged from 0.93 to 0.96 and the Cronbach's alpha coefficient between 0.89 and 0.94, both well above the 0.7 threshold. It is therefore concluded that the measurement model has acceptable reliability.

As a rule of thumb, full collinearity VIFs of 3.3 or lower suggest the existence of no multi collinearity in the model (Kock, 2012). All variance inflation factors (VIF) were less than 3.3, indicating that multi collinearity and high inter-associations among latent variables were not present in the data. This is shown in Table.

### **Discriminant Validity**

On the diagonal of the latent variable correlations table (Table 16) are the square roots of the average variances extracted for each latent variable. As seen in Table 16, the square root of average variance extracted for each variable (shown in parentheses) is higher than any other values above or below it or to its left or right. Thus discriminant validity of the measurement model is established.

Table 5.16

*Latent Variable Correlations-Store Commitment Scale*

	<b>Affective</b>	<b>Continuance</b>	<b>Normative</b>
<b>Affective</b>	(0.93)	0.30	0.37
<b>Continuance</b>	0.37	(0.92)	0.49
<b>Normative</b>	0.30	0.49	(0.90)

Source: Survey data

**Assessment of Structural model: Linkage between marketing stimuli perception and store commitment**

Table 16 shows the relationships between commitment and marketing stimuli perception. The path co-efficient will depict whether the linkage between marketing stimuli perception and commitment is significant or not.

Table 5.17

*Showing path coefficient relationship of store commitment*

<b>Relationships</b>	<b>Path co-efficient</b>
Merchandising→Affective commitment	0.35**
Locale→Affective commitment	0.11**
Merchandising→Normative commitment	0.15**
Furtherance→Normative commitment	0.13**
Service→Normative commitment	- 0.07
Furtherance→Continuance commitment	0.15**
Remittance→Continuance commitment	0.13**
Locale→Continuance commitment	0.13**
Store atmosphere→Affective commitment	0.24**
Store atmosphere→Continuance commitment	0.23**

\*\*indicates  $p < 0.01$ , \*indicates  $p < 0.05$

From the table 5.17 it can be seen that, merchandising significantly influence affective commitment ( $\beta = 0.35$ ,  $p < 0.01$ ), which indicates that 1 unit increase in merchandising perception will increase consumer's affective commitment by 0.35

units. Consumers locale perception also positive influence on affective commitment ( $\beta = 0.11$ ,  $p < 0.01$ ), however the strength of relationship is low. Perception about merchandising influence normative commitment ( $\beta = 0.15$ ,  $p < 0.01$ ) and furtherance perception also have an influence on normative commitment ( $\beta = 0.13$ ,  $p < 0.01$ ). Whereas, sales personnel perception does not have an influence on normative commitment. The result reveals that a one unit change in consumer's furtherance perception will enhance continuance commitment by 0.15 units, while remittance and locale perception have an equal influence on continuance commitment ( $\beta = 13$ ,  $p < 0.01$ ). Store atmosphere significantly influence both affective and continuance commitment. Comparing the path coefficients, it can be seen that merchandising perception has the highest impact on affective commitment. Further details can be seen in the table.

### Store Loyalty

#### Validation of store loyalty scale (Measurement model)

Consumer's desire to maintain continuing relationship with the retailer will have an influence on varying dimensions of customer loyalty (Fullerton 2003, Morgan & Hunt, 1994). Before going to the analyses the relationship pattern, the study presents the measurement validity of the store loyalty scale used in the study.

Table 5.18

*Showing Latent Variable Co-efficients- Store Loyalty Scale*

Latent variable	Indicators	Loadings	Cronbach alpha	Composite reliability	AVE	VIF
<b>Behavioural loyalty</b>	Frequent purchase	0.94**	<b>0.959</b>	<b>0.973</b>	<b>0.924</b>	<b>2.22</b>
	Future purchase	0.97**				
	Major purchase	0.96**				
<b>Attitudinal loyalty</b>	Recommend	0.97**	<b>0.971</b>	<b>0.981</b>	<b>0.945</b>	<b>2.20</b>
	Ideal place	0.97**				
	Say positive	0.96**				

\*\*indicates  $p < 0.01$

From the table 5.18 it can be seen that, the factor loadings associated with the latent variables ranged between 0.94 and 0.97 and hence it is reasonable to assume that the measurement model for marketing stimuli has acceptable convergent validity. The P values associated with the loadings were all lower than 0.001. Since there were no indicators for which the criteria of convergent validity were not satisfied, there is no need to remove any of the indicators and the convergent validity of the scale is established. As stated else were the validity and reliability guidelines in Warp PLS 6.0 can be seen in methodology chapter.

As seen in Table 5.18, the composite reliability coefficients were 0.97 and 0.98, the Cronbach's alpha coefficient were 0.95 and 0.97, both well above the 0.7 threshold. It is therefore concluded that the measurement model has acceptable reliability.

As a rule of thumb, full collinearity VIFs of 3.3 or lower suggest the existence of no multicollinearity in the model (Kock, 2012). All variance inflation factors (VIF) were less than 3.3, indicating that multicollinearity and high inter-associations among latent variables were not present in the data. This is shown in Table 5.18.

Table 5.19

*Latent variable correlation- Store loyalty scale*

	<b>Behavioural loyalty</b>	<b>Attitudinal loyalty</b>
<b>Behavioural loyalty</b>	<b>(0.961)</b>	0.324
<b>Attitudinal loyalty</b>	0.324	<b>(0.972)</b>

Source: Primary data

On the diagonal of the latent variable correlations table (Table 19) are the square roots of the average variances extracted for each latent variable. As seen in Table 19, the square root of average variance extracted for each variable (shown in parentheses) is higher than any other values above or below it or to its left or right. Thus discriminant validity of the measurement model is established.

## Assessment of Structural model-Linkage between Store commitment and Store loyalty

Table 5.20 shows the linkage between store commitment and store loyalty. The Path co-efficient analysis shows the direction (Positive or negative) as well as the level of influence of independent variable on the dependent variable.

Table 5.20

*Path co efficient relationship between store commitment and store loyalty*

	<b>Path co-efficient</b>
Affective commitment→Behavioural loyalty	0.207**
Affective commitment→Attitudinal loyalty	0.697**
Normative commitment→Behavioural loyalty	0.352**
Normative commitment→Attitudinal loyalty	0.076*
Continuance commitment→Behavioural loyalty	0.343**
Continuance commitment→Attitudinal loyalty	0.028

Source: Primary data

From the table it can be seen that, affective commitment influence both behavioral loyalty ( $\beta=0.20$ ,  $p<0.01$ ) and attitudinal loyalty ( $\beta=0.69$ ,  $p<0.01$ ). However, affective commitment has strong influence on attitudinal loyalty. Normative commitment influence behavioral loyalty but its influence on attitudinal loyalty is very weak ( $\beta=0.07$ ,  $p<0.05$ ). Continuance commitment only influence behavioural loyalty ( $\beta=0.34$ ,  $p<0.01$ ), and does not shows any influence on attitudinal loyalty. Comparing the path coefficients, it can be seen that affective commitment has the highest impact on attitudinal loyalty. Further, behavioural loyalty has high influenced on continuance and normative commitment.

### **Integrated model:**

We have analyzed the path coefficient relationships and significance of path between various antecedent and endogenous variables. As stated else were the research model is based on SOR framework, as such it was tested the relationship between store atmosphere (Stimulus), marketing stimuli perception (Organism),



store commitment and store loyalty (Response). The structural model output obtained from Warp PLS is depicted in Figure 5.1. Shown on the arrows are the path coefficients (beta value) and the path significance (p-value). Some significant paths linking store atmosphere to store loyalty through marketing stimuli perception and store commitment are shown below in Table 5.21.

Table 5.21

*Various Linkages in the overall model*

Atmosphere→Furtherance→Normative→Behavioral loyalty	0.242→0.147→0.352
Atmosphere→Merchandise→Affective co→Behavioral loyalty	0.451→0.359→0.207
Atmosphere →Merchandise→Affective co→ Attitudinal loyalty	0.451→0.359→0.697
Atmosphere→Remittance→Continuance co→Behavioural loyalty	0.230→0.138→0.343
Atmosphere→Furtherance→Continuance co→Behavioural	0.24→0.15→0.34
Atmosphere→Locale→Affective co→Behavioural loyalty	0.196→0.110→0.207
Atmosphere→Locale→Affective co→Attitudinal loyalty	0.196→0.110→0.697
Atmosphere→Affective co→Behavioural loyalty	0.234→0.207
Atmosphere→Affective co→Attitudinal loyalty	0.234→0.697
Atmospheres→Continuance co→Behavioural loyalty	0.233→0.343

From the table it can be seen that store atmosphere significantly influence merchandising perception, which in turn influence affective commitment and this will lead to both behavioral and attitudinal loyalty. Further, affective commitment has high influence on attitudinal loyalty and continuance & normative commitment significantly influence behavioral loyalty. Further details can be seen in the table above.

The purpose of this framework is to examine how a marketer can improve his/her business by understanding the relationship among store atmosphere, customer's marketing perception, store commitment and store loyalty. Through a survey of the organized retail consumers and subsequent application of Structural Equation Modeling by using Warp PLS 6.0 software, the important factors that lead to customer loyalty are identified.

In this research, it is revealed that customers repeat patronage behavior (Behavioural loyalty), has been significantly influenced by Affective commitment, which in turn has influenced by Merchandising perception, and Store atmosphere.

Consumers' willingness to recommend the retailer and say positive words about the service provider (Attitudinal loyalty), has been highly influenced by the customers emotional attachment (Affective commitment) with the service provider. Store atmosphere creates positive emotional feelings on consumer's merchandising perception; this in turn creates an emotional attachment towards the organized retailer among the consumers.

Marketing managers should not overlook the store atmosphere elements because these cues has been significantly influenced customer's merchandising perception, their emotional attachment with the retailer, their frequency of visit and share of purchase. Further the store atmosphere highly influence consumer's attitude towards organized retailer. Customers are found highly concerned about Layout & Air condition cues of store atmosphere. With loadings of 0.70 & 0.75, they are good indicators of store atmosphere.

Further, retailers should ensure product quality, availability of various brands and product variety, as these have significant influence on consumer's emotional attachment with the retailer. The promotional offers given by the organized retailers are important, because the result supports the hypothesis that furtherance (promotional) aspects have significant influence on consumer's continuance commitment. This supports the findings of Burnham, Frels, and Mahajan (2003), in their study. They identify financial switching cost as one of the switching typology. It explains financial switching cost as the cost involved in the loss of financially quantifiable resource. Hence, as the result reveals organized retail consumers may felt financial switching cost associated with furtherance aspect of organized outlets and this might force them to stick on with this retailer. Consumers feeling of enjoyment and security will create a better image of the retailer in consumer's mind and in sometimes they like to recommend or say positive words about the retailer to others.

The analysis of inner model shows that store atmosphere, marketing stimuli perception and customer commitment together can only explain 50% of the variance in customer behavioral loyalty and 53% variance in attitudinal loyalty. It is an important finding because it suggests that there are other factors that have an influence on loyalty dimensions of consumers that should be considered when exploring customer loyalty in future.

### Research Model Analysis in Different Formats (Shopping Malls, Hyper Markets and Super Markets)

The study mainly focuses on the three types of organized retail formats, such as Supermarket, Hypermarket and Shopping Mall. Consumer's purchasing behaviour may vary while they make purchases from different formats. Hence the study also tries to analyse whether there is any difference in the store loyalty model among different formats.

Figure 5.2: Shopping Mall

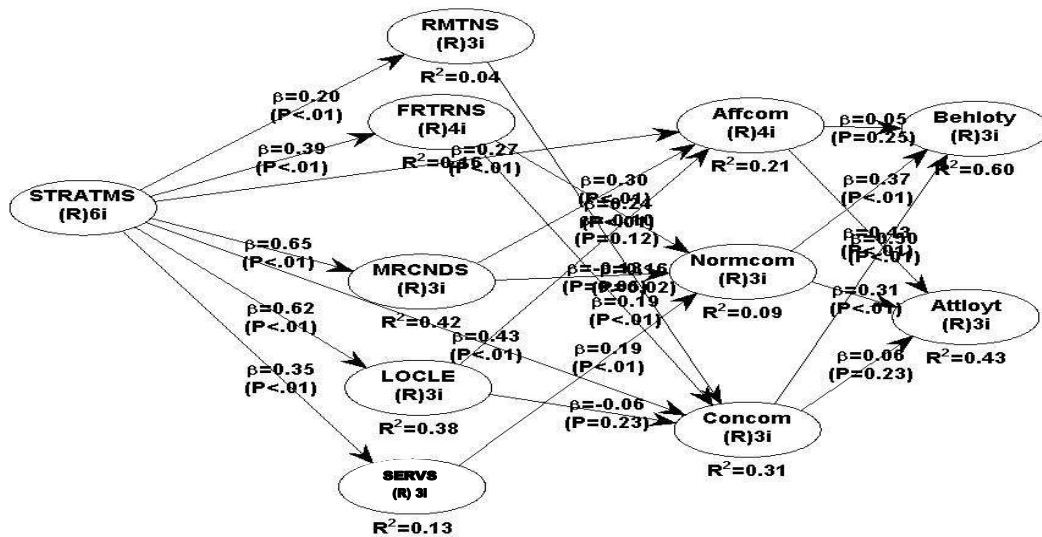


Figure 5.3: Hypermarket

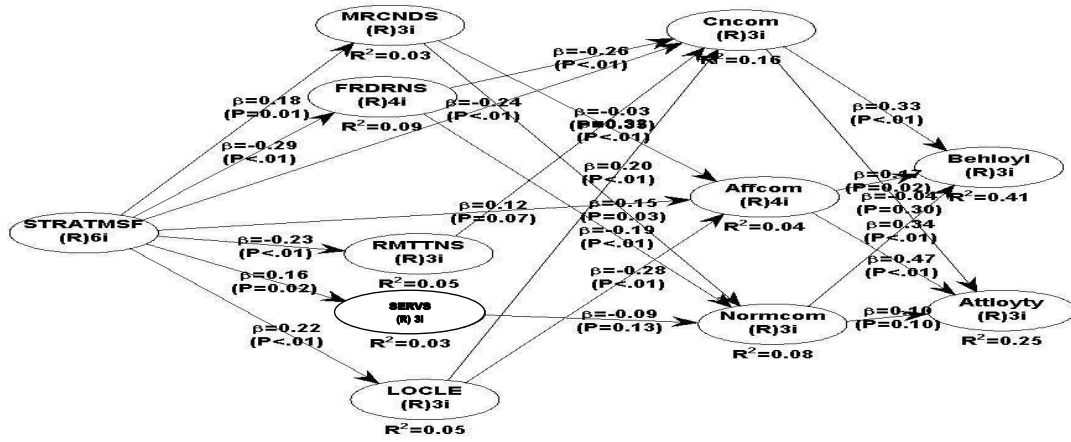


Figure 5.4: Super market

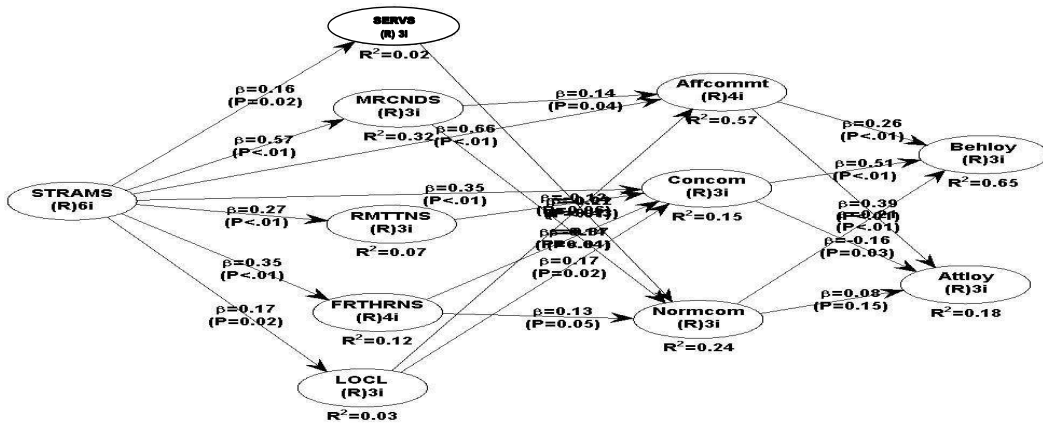


Table 5.22

Showing Model Fit Indices and p values

	APC	ARS	AVIF (Good if <5)
Shopping mall	0.286	0.276	1.180
Hyper market	0.212	0.119	1.115
Super market	0.259	0.237	1.401

It is found from the Table 5.22 that, all the three fit criteria were met in all the models and hence it was assumed that the models had acceptable predictive and explanatory quality as the data is well represented by the models.

**Relationship between store atmosphere & marketing stimuli perception (Among different formats):** In order to examine the relationship between store atmosphere and marketing stimuli perception among different formats the relevant Beta values have been extracted and presented in table 5.23.

Table 5.23

*Relationship between store atmosphere & marketing stimuli perception (Among different formats)*

Shopping Mall		Hypermarket		Supermarket	
Relationship	Beta	Relationship	Beta	Relationship	Beta
Store atmos→Mercandsg	0.65**	Store atm→Mercandsg	0.18*	Store atm→Mercandsg	0.56**
Store atmos→Furthens	0.39**	Store atm→ Furthens	0.-29**	Store atm→ Furthens	0.35**
Store atm→Rmttn	0.20**	Store atm→Rmttn	0.23**	Store atm→Rmttn	0.26**
Store atm→Service	0.61**	Store atm→Service	0.16*	Store atm→Service	0.15*
Store atm→Locle	0.35**	Store atm→Locle	0.22**	Store atm→Locle	0.17*

From the above table it can be seen that the store atmosphere influence on merchandising perception is significant in all the formats. It is higher in Shopping Malls and Supermarkets ( $\beta = 0.65$  and  $\beta = 0.56$ ,  $p < 0.01$ ). But in Supermarket the strength of relationship is low. Consumers perceived that the enhanced store atmosphere facilities in Hyper markets will reduce the furtherance services (-0.29,  $p < 0.01$ ). Their perception with regard to sales personnel services are highly influenced by store atmosphere in shopping malls (0.61,  $p < 0.01$ ). Store atmosphere influence on locale related aspects are comparatively high in Shopping Malls (0.35,  $p < 0.01$ ). Further details can be seen in the above table.

**Antecedents of store commitment:** In order to examine the above aspect on store commitment the relevant beta values have been calculated and presented in table 5.24.

Table 5.24

*Showing Antecedents of store commitment*

Shopping Mall		Hypermarket		Supermarket	
Relationship	Beta	Relationship	Beta	Relationship	Beta
Mercndsg→Affct com	0.30**	Mercndsg→Affct com	0.32**	Mercndsg→Affct com	0.13*
Locale →Affct com	0.09	Locale →Affct com	0.28**	Locale →Affct com	0.01
Mercndsg→Norm com	0.13*	Mercndsg→Norm com	0.15**	Mercndsg→Norm com	0.37**
Furtheranc→ Norm com	0.23**	Furtheranc→ Norm com	0.19**	Furtheranc→ Norm com	0.13*
Service → Norm com	0.19*	Service → Norm com	0.09	Service → Norm com	0.22**
Furtherance→Cotce com	0.18*	Furtherance→Cotce com	0.25**	Furtherance→Cotce com	0.14
Remittance→Ctance com	0.15*	Remittance→Ctance com	0.03	Remittance→Ctance com	0.12
Locale →Cont com	0.06	Locale →Cont com	0.24**	Locale →Cont com	0.17*
Store atmos→Affct com	0.26**	Store atmos→Affct com	0.12**	Store atmos→Affct com	0.66**
Store atmos→Cont com	0.43**	Store atmos→Cont com	0.22**	Store atmos→Cont com	0.35**

\*\*indicates  $p < 0.01$ , \*indicates  $p < 0.05$

From the table it can be seen that merchandising perception influence on affective commitment varies in different formats, the influence is high in shopping malls & hyper markets ( $\beta = 0.30$ ,  $\beta = 0.32$ ;  $p < 0.01$  respectively) whereas it is low in super market ( $\beta = 0.13$ ,  $p < 0.05$ ). At the same time, merchandising perception influence on normative commitment is high in supermarkets ( $\beta = 0.37$ ,  $p < 0.01$ ). In addition, furtherance & locale perception influence on continuance commitment is high in hypermarkets ( $\beta = 0.25$ ,  $\beta = 0.24$  respectively). Store atmosphere exert high influence on affective commitment ( $\beta = 0.66$ ,  $p < 0.01$ ) among Supermarket consumers. Comparatively the strength of relationship is low in Hypermarket and Shopping Malls. More details can be seen in table 5.24.

### **Store Commitment and Store Loyalty**

Further an attempt has been made to understand the linkage between store commitment and store loyalty in different store formats. The relevant beta values have been extracted and presented in table 5.25.

Table 5.25

*Showing Linkages between store commitment & store loyalty*

Shopping Mall		Hypermarket		Supermarket	
Relationship	Beta	Relationship	Beta	Relationship	Beta
Affctvcomt→Behvloyty	0.05	Affctvcomt→Behvloyty	0.16*	Affctvcomt→Behvloyty	0.26**
Affctcomt→AtdnlLoyty	0.43**	Affctcomt→AtdnlLoyty	0.47**	Affctcomt→AtdnlLoyty	0.39**
Norm comt→Behvloyty	0.36**	Norm comt→Behvloyty	0.33**	Norm comt→Behvloyty	0.20**
Norm comt→Atdnlloyty	0.30**	Norm comt→Atdnlloyty	0.10	Norm comt→Atdnlloyty	0.08
Cotnce com→Behvloyty	0.50**	Cotnce com→Behvloyty	0.33**	Cotnce com→Behvloyty	0.50**
Cotcecomt→Attdnlloyty	0.06	Cotcecomt→Attdnlloyty	0.04	Cotcecomt→Attdnlloyty	0.05

\*\*indicates  $p < 0.01$ , \*indicates  $p < 0.05$

From the table it can be seen that the influence of affective commitment on behavioral loyalty is comparatively high in Supermarket ( $\beta = 0.26$ ,  $p < 0.01$ ), whereas the relationship is insignificant in Shopping Malls ( $\beta = 0.05$ ). Affective commitment influence on attitudinal loyalty is high in Hyper market and Shopping Malls ( $\beta = 0.47$ ,  $\beta = 0.43$ ) respectively compared to Supermarket ( $\beta = 0.39$ ). Normative commitment plays an important role on behavioral loyalty in all the formats. However the strength of relationship is high in Shopping Malls. Continuance commitments also significantly influence the behavior loyalty in Supermarket and Shopping Malls. More details can be seen in the above table.

From the foregoing discussion it can be concluded that the store atmosphere significantly influence the consumer's perception in almost all factors. Further store atmosphere in Shopping malls highly influence the consumer marketing stimuli perception compared to other two formats. In Hypermarkets, merchandising and locale aspects are the most influencing factors of consumer's affective commitment. Consumer's emotional attachment is the main factor influencing attitudinal loyalty in all formats, while consumer's awareness of switching cost and feeling of obligation will force them to maintain the patronage behavior. But these are not influencing consumer's attitude towards the retailer loyalty.

## Analysis of the Structural Model (Hypotheses)

Through Structural Equation Modeling, we hypothesize various causal relationships between variables; as such the model represents many hypotheses by path co-efficient. Analysis of path coefficients and significance values of relationships leads to accept or reject the hypotheses. Results of hypotheses testing are summarized in Table 5.26.

Table 5.26

*Analysis of the path co-efficient*

Hypotheses statement	Result of Hypotheses			
	All the three formats put together	Shopping mall	Hyper market	Super market
Store atmosphere→Merchandising	Supported	Supported	Supported	Supported
Store atmosphere→Furtherance	Supported	Supported	Supported	Supported
Store atmosphere→Remittance	Supported	Supported	Supported	Supported
Store atmosphere→Service	Supported	Supported	Supported	Supported
Store atmosphere→Locale	Supported	Supported	Supported	Supported
Merchandising→Affective commitment	Supported	Supported	Supported	Supported
Locale→Affective commitment	Supported	Not supported	Supported	Not supported
Merchandising→Normative commitment	Supported	Supported	Supported	Supported
Furtherance→ Normative commitment	Supported	Supported	Supported	Supported
Service→ Normative commitment	Not supported	Supported	Not supported	Supported
Furtherance→Continuance commitment	Supported	Supported	Supported	Not supported
Remittance→Continuance commitment	Supported	Supported	Not supported	Not supported
Locale→Continuance commitment	Supported	Not supported	Supported	Supported
Store atmosphere→Affective commitment	Supported	Supported	Supported	Supported
Store atmosphere→Continuance commitment	Supported	Supported	Supported	Supported
Affective commitment→Behavioural loyalty	Supported	Supported	Supported	Supported
Affective commitment→Attitudinal loyalty	Supported	Supported	Supported	Supported
Normative commitment→Behavioural loyalty	Supported	Supported	Supported	Supported
Normative commitment→Attitudinal loyalty	Supported	Supported	Supported	Supported
Continuance commitment→Behavioural loyalty	Supported	Supported	Supported	Supported
Continuance commitment→Attitudinal loyalty	Not supported	Supported	Supported	Supported



From the table it can be seen that the store atmosphere influence on consumer perception was highly supported in almost all cases. Consumers positive perception affects their affective, normative and continuance commitment. Commitment of the consumers leads to formation of attitudinal and behavioural loyalty.

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CHAPTER VI

**STORE EVALUATIONS  
(MARKETING STIMULI PERCEPTION)  
AND SHOPPER CHARACTERISTICS  
ON STORE LOYALTY**

The study tested the empirical model of store atmosphere influence on store loyalty and identified that the retail store atmosphere have varying levels of influence on marketing stimuli perception, and this will in turn influence commitment and loyalty. Empirical studies in several service contexts have also shown a relationship between marketing stimuli, store atmosphere (Siroshi, 1998, Baker 1994 etc) and some measures of store loyalty.

However, there are studies that challenge the notion of relationship between marketing stimuli; store atmosphere and loyalty. A study on Swedish grocery shoppers showed that although loyal shoppers in general were more satisfied, there were also shoppers, who were highly satisfied with a specific store, yet did not use it for the majority of their purchases (Magi, 1995). Such findings suggest that although marketing stimuli and store atmosphere are important determinants, they are not the sole drivers of store loyalty.

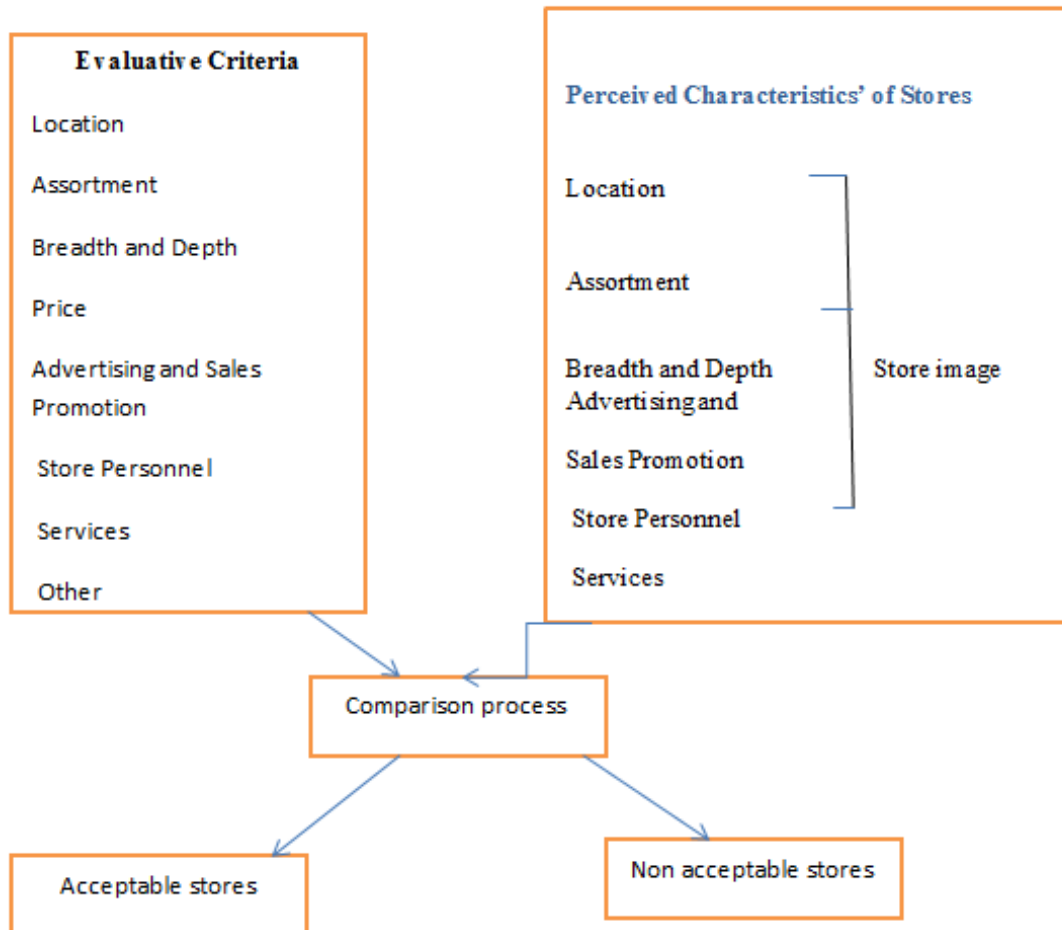
The store selected by the consumers and the nature of shopping also depends on restrictions imposed on the household in terms of limited budget, time available for shopping, distance to reach the store etc. Such differences in shopper characteristics could help to explain the large variation in store loyalty behaviour across consumers.

### **Store Choice Evaluations – An Overview**

The model of store choice by Engel et al. (Figure 5) presented in their textbook on consumer behavior (1995) serves as a good summary of the main determinants that have been investigated within this line of research. In the model,

shoppers use a number of salient evaluative criteria as a basis for their store choice. The overall perception of a store is often called store image.

Figure 6.1: The Store Choice Process



**The store choice process as a function of salient variables (Engel, Blackwell and Miniard 1995, p. 846.)**

The household perspective is specifically taken in a model of store choice developed by Engstmm and Hartvig Larsen (1987; 1990). In their model, which builds on systems theory, the household is seen as a social system consisting of four interrelated structures: demographic structure, resource structure (real assets, financial and time resources), behavioral structure and conceptual structure. The conceptual structure denotes the shared norms and beliefs of the household. Related to grocery shopping, such norms or beliefs could be related to the importance of



planning, being economical or "a smart shopper," etc. The relationships between the four household structures are reflected in usage situations, the organization of shopping, a time/activity pattern, and choice criteria. These four factors do in turn affect store choice behavior.

In contrast to the current view that customer' loyalty is seen as the result of their evaluation of the service or product, past researchers has emphasized that variations in degree of loyalty are also due to shopper characteristics such as socio-economic situation or psychological make-up etc. That is, loyalty - in this context mostly viewed as behavioral loyalty - is more or less regarded as something due to the consumer's personal characteristics, rather than something the firm can affect by performing well (Annei Maggi, 1999). Based on these perspectives, the present study intends to discover the influence of the shopper characteristics on the variation in degree of loyalty.

One of the main objectives of the present study is to understand the variation in loyalty behaviour among the consumers. This Chapter addresses the line of enquiry to investigate the extent of variation in consumer loyalty and to establish the drivers of such variation, based on their marketing stimuli perception.

### **Classification of consumer's based on behavioral & attitudinal loyalty**

To start with, the 450 consumers were initially classified into four categories based on their respective scores for behavioral and attitudinal loyalty. The following approach is used for this categorization.

**Step 1:** Calculate the average score of behavioural loyalty for the sample (450 consumers). This is calculated as 2.91.

**Step 2:** Calculate the average score of attitudinal loyalty for the sample (450 consumers). This is calculated as 3.19.

**Step 3:** For a given consumer in the sample, compare his/her behavioural loyalty score with the average score. If behavioural loyalty for the consumer is

greater than 2.91, then the consumer has ‘HIGH’ value on behavioural loyalty, else he/she has ‘LOW’ value on behavioural loyalty.

**Step 4:** For a given consumer in the sample, compare his/her attitudinal loyalty score with the average score. If attitudinal loyalty for the consumer is greater than 3.19, then the consumer has ‘HIGH’ value on attitudinal loyalty, else he/she has ‘LOW’ value on attitudinal loyalty.

**Step 5:** All the 450 consumers are classified into one of the four categories based on their behavioural & attitudinal scores, as shown in table 6.1.

Table 6.1

*Loyalty Matrix*

	<b>High</b>		<b>High</b>
<i>Attitudinal Loyalty</i>	Latent loyal(150)	Loyal(114)	<i>Behavioural Loyalty</i>
	Non loyal(135)	Spurious loyal(51)	
	<b>Low</b>		<b>Low</b>

**The Model adopted from relative attitude-behavior relationship (Dick and Basu, p. 101)**

Those firms with ‘High’ value for both behavioural and attitudinal loyalty have been termed as ‘Loyal’. 25.3% of the consumer’s in the sample belongs to this category. Those respondents with ‘High’ value for ‘behavioural loyalty’ and ‘Low’ value for ‘attitudinal loyalty’ have been termed as ‘Spurious loyal’ (11.3% respondents). Those consumers with ‘High’ value for ‘attitudinal loyalty’ and ‘Low’ value for ‘behavioural loyalty’ have been termed as ‘Latent loyal’ (33.3% firms). Those consumers with ‘Low’ value for both attitudinal and behavioural loyalty have been termed as ‘Non loyal’ (30% of respondents).

The conceptualization of loyalty as the strength of the relationship between relative attitude and repeat patronage is illustrated in the grid presented above.

Loyalty is thus only present when the individual holds a high relative attitude and engages in high repeat patronage behavior. Relative attitude is thus the variable which differentiates "true" loyalty from spurious loyalty. Spurious loyalty could, according to the authors, be caused by situational cues such as familiarity.

### **Variation in Consumer perceptions**

Having segmented the sample into four categories based on the scores for behavioural and attitudinal loyalty, the next step is to ascertain if these four categories have significantly different marketing stimuli perceptions. In the literature review, possible determinants of behavioural loyalty were categorized in two groups: store characteristics and shopper/household characteristics. While taking a store perspective, the share of shopping that a household devotes to a specific store is seen as a function of the store characteristics and the household's evaluations of the same, the convenience of the store's location for the household, and the store's ability to satisfy the needs of the household in comparison with its competitors (Annei Maggie, 1999). The present study takes these perspectives and intends to explore the influence of store characteristics (marketing stimuli) and shopper characteristics on loyalty.

### **Test for significance of marketing stimuli perception on loyalty variation**

Discriminant analysis is done to ascertain if there exists a significant difference in marketing stimuli perception between these four categories of loyalty behaviour. Discriminant analysis is a technique for analyzing data when the criterion or dependent variable is categorical and predictor or independent variables are metric.

### **Discriminant Analysis**

Discriminant analysis (also known as discriminant function analysis) is a powerful descriptive and classificatory technique developed by R A Fisher in 1936 to (a) describe characteristics that are specific to distinct groups and (b) classify cases into preexisting groups based on similarities between that case and the other cases belonging to the groups. Specific descriptive questions that can be answered

through discriminant analysis include the following: (a) in what ways do various groups in a study differ? (b) What differences exist among the number of groups on a specific set of variables? and (c) Which continuous variables best characterize each group, or, which continuous variables are not characteristic of the individual groups? (Michael, 2000). In marketing research we are often faced with a situation in which we have two or more groups, and we want to gain a better understanding of how these groups or items differ in terms of some set of explanatory metric variables, such as a set of attributes or performance ratings that we assume to be equal interval. Discriminant analysis has various benefits as a statistical tool and is quite similar to regression analysis. It can be used to determine which predictor variables are related to the dependent variable and to predict the value of the dependent variable given certain values of the predictor variables. Discriminant analysis is also widely used to create perceptual mapping by marketers. This will help the retailer to get an idea of customer's perceptions about different segments and also targets them in a better way in their marketing campaigns.

### **Statistics Associated with Discriminant Analysis**

The important Statistics associated with discriminant analysis includes the following

#### **Canonical Correlation**

Canonical correlation measures the extent of association between the discriminant scores and the groups. It is a measure of association between the single discriminant function and the set of dummy variables that define the group membership.

#### **Centroid**

The centroid is the mean values for the discriminant scores for a particular group. There are as many centroids as there are groups, because there is one for each group. The means for a group on all functions are the group centroids.

### **Discriminant function coefficient**

The discriminant function coefficients (unstandardized) are the multipliers of variables, when the variables are in the original units of measurement.

### **F value and their significance**

These are calculated from a one way Anova, with the grouping variable serving as the categorical independent variable. Each predictor, in turn serves as the metric dependent variable in the Anova. Group means and group standardized deviation. These are computed for each predictor for each group.

### **Structural Correlation**

Also referred to as discriminant loadings, the structure correlations represent the simple correlations between the predictors and the discriminant function.

### **Wilks Lambda**

Sometimes also called the "U" statistics, wilks lambda for each predictor is the ratio of the within group sum of squares to the total sum of squares. Its values vary between 1 and 0. Large values of lambda (near 1) indicate that group means do not seem to be different. Small values of lambda (near 0) indicates that the group means seem to be different.

## Four Group Discriminant Analysis

Table 6.2

*Group means and uni-variate F ratio*

Merchandising	Group means				F
	Loyal	Spurious loyal	Latent loyal	No loyal	
Superior quality	3.92	3.98	3.73	3.16	25.74**
Wider brands	3.32	3.58	3.18	2.91	11.00**
Variety	3.83	3.90	3.66	3.14	28.25**
<b>Furtherance</b>					
Reasonable price	3.35	3.13	3.46	2.79	57.56**
Discount	3.37	3.05	3.42	2.65	29.92**
Offers	3.98	4.07	3.72	3.58	20.08**
In store promotions	3.45	3.31	3.32	3.16	24.11**
<b>Service</b>					
Helpful employees	3.13	3.65	3.67	2.56	3.06*
Individual attention	3.51	3.64	3.27	3.37	0.65
Enough employees	3.21	3.33	3.12	3.22	2.57*
<b>Locale</b>					
Convenient location	4.04	4.05	4.00	3.63	10.67**
Parking	3.63	3.70	3.50	3.38	3.80*
One stop destination	3.94	3.94	3.91	3.50	10.60**
<b>Remittance</b>					
Price display	3.32	3.58	3.18	2.91	8.22**
Easy billing	3.83	3.90	3.66	3.14	2.56
Multiple payment	3.28	2.98	3.46	2.57	2.95*

From the above table it can be seen that loyal customer's perception with regard to marketing stimuli perception is above three as against a maximum of five, which indicates that more than 60% have positive perception. Spurious loyal have high perception in most of the factors whereas their perception is comparatively low

with loyal group regarding reasonable price (Mean score 3.13) and discount availability (Mean Score 3.05). Latent loyal also have high positive perception in almost all factors whereas Non loyal marketing stimuli perception is low compared to the other three groups. The significance attached to the univariate F ratio indicates that, when the predictors are considered individually, most of the variables are significant in differentiating among the four groups. Further details can be seen in the above table.

### **Discriminant Functions**

As one can note from the output, the uni variate 'F test' of the all variables are significant at  $p < 0.01$ . But, what this output does not tell is the sort of combination of these variables, which differentiate the four groups of store loyal. To discriminate the four groups in terms of store choice perception the discriminant analysis transforms the original variables into one or more functions (discriminant functions) that produce maximum discrimination among the four categories.

Table 6.3

#### *Canonical discriminant functions*

Function	EigenValue	% of Variance	CUM Perc	Canonical Correation	Wilki's lambda	Chi square	df	Sig
1	0.583 <sup>a</sup>	79.2	79.2	0.607	0.546	265.404	48	0.000
2	0.127 <sup>a</sup>	17.2	96.4	0.335	0.865	63.775	30	0.000
3	0.026 <sup>a</sup>	3.6	100.0	0.160	0.974	11.436	14	0.651

The values of the Wilk Lambda's are 0.54 (first function) and 0.86 (second function). This transforms to a chi square of 256.40 and 63.77 respectively which is significant at 0.05 levels. Thus the three functions together significantly discriminate among the four groups. However when the first two functions are removed, the Wilk Lambda associated with third function is 0.97, which is not significant at the 0.05 level. Therefore the third function does not contribute.

### Standardized Discriminant Function Co-efficient

The variables included in different discriminant functions that discriminate the four groups are given below.

Table 6.4

*Standardized discriminant function co-efficient*

	<b>Function 1</b>	<b>Function 2</b>	<b>Function 3</b>
Superior quality	0.50*		
Wider brands		0.49*	
Variety	0.53*		
Reasonable price	0.80*		
Discount	0.56*		
Offers	0.46*		
In store promotions	0.51*		
Helpful employees		0.39*	
Individual attention		0.17*	
Enough employees			0.35*
Convenient location	0.34*		
Parking		0.30*	
One stop destination	0.34*		
Price display		0.47*	
Easy billing			0.29*
Multiple payment			0.26*

(Variables ordered by size of correlation within function)

An examination of structure matrix (discriminant function co-efficient) reveals that, there are eight variables (such as superior quality, variety etc.) grouped together. Thus superior quality, variety etc. are primarily associated with function 1. On the other hand wider brands, price displayed are predominantly associated with function 2, and easy billing, multiple payment and enough employees are associated with function 3.



## Functions at Group Centroid

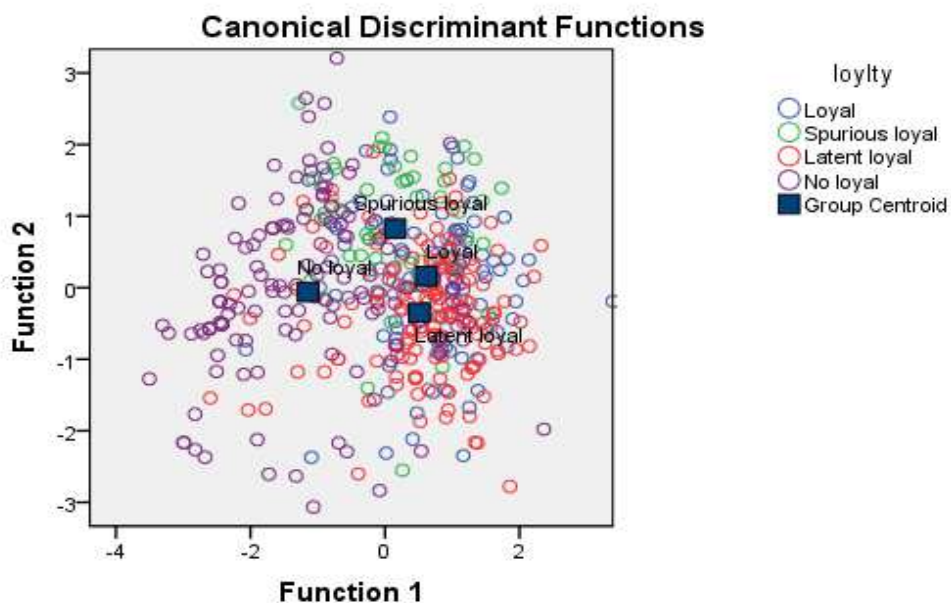
To know how well the different functions separates the four loyalty groups, we can check the centroids (average discriminant score on the function) for each group on that function.

Table 6.6

*Functions at group centroid*

Groups	Function 1	Function 2	Function 3
Loyal(1)	<b>0.614</b>	0.161	-0.234
Spurious loyal(2)	0.150	<b>0.825</b>	0.249
Latent loyal (3)	<b>0.512</b>	0.349	0.123
No loyal (4)	-1.14	-0.060	-0.033

Figure 6.2: Canonical Discriminant Functions



The figure shown above is a scatter gram plot of all the groups on function1, function 2 and function 3. It can be seen that group 1 has highest value on function 1, and group 4 the lowest. Because function 1 is primarily associated with reasonable price, discount, superior quality etc., one would expect the four groups to

be ordered on these variables. Those with better perceptions on reasonable price, discount, product quality etc. will likely to have store loyal or latent loyals. Conversely, those with lower perceptions on reasonable price, discount, product quality etc. will likely to have Non loyal or spurious loyal. This interpretation is further strengthened by an examination of group means of variables in function1.

The above figure further indicates that function 2 is primarily associated with wider brands perception, helpful employees, price display and parking etc. Given positive correlations of the these variables with function 2 in the structure matrix, we expect to find group 2 to be better perception than group 1, group 3 and group 4 in terms of wider brands, parking facility, helpful employees, etc. This is indeed true for all the variables as indicated by the group means of these variables. If consumers in group 2 have better perceptions regarding wider brands, parking facility, price displays and helpful employees, why don't they have favorable attitudinal loyalty. The reason may be their low perception on reasonable price and discount.

Table 6.7

*Assessvalidity of discriminant analysis Classification result*

Original	Count	Group	Predicted Group Membership				Total
			1	2	3	4	
		1	53	23	30	8	114
		2	12	30	5	4	51
		3	37	14	78	21	150
		4	12	23	18	82	135
	%	1	46.5	20.2	26.3	7.0	100
	%	2	23.5	58.8	9.8	7.8	100
	%	3	24.7	9.3	52.0	14.0	100
	%	4	8.9	17.0	13.3	60.7	100

54% of original grouped cases are correctly classified.

Since there were four groups involved, correct classification by chance would have a probability of 25%. An improvement of 25% over the chance

probability of correct classification is usually the acceptable benchmark for the validity of the model (Malhotra & Dash, 2011). Acceptable value for correct grouping would; therefore, be 25% higher than this, which is 31.25% (which is 1.25 times of 25%). The model achieved 54%, which is significantly higher than this value. Hence the predictive validity of the model is considered good.

The above analysis reveals that the variation in consumer perception results the variation in degree of loyalty. Loyal consumers have better perception on furtherance and some aspects of merchandising such as quality, variety and they have positively perceived the locale aspects also. The result indicates that price related factors are still dominating the loyalty intentions along with product quality and locational convenience. Spurious loyals have better perception on wider brands, some aspects of personnel and better parking. Their low perception in furtherance may be the reason for the lack of attitudinal loyalty. However Non loyal consumer's perception regarding store choice criteria's is negative. Dodge and summer (1969) and Aaker and Jones (1971) found store choice to be dependent on socioeconomic background of consumers, their personality, and past purchase experience. Lumpkin, Greenberg, and Goldstucker (1985) found that elderly customers behave differently from younger ones in terms of the type of store patronized. The former group is fewer prices conscious and proximity of residence to store is not an important factor. They consider shopping as a recreational activity and choose a store that is perceived to be high on "entertainment" value. Based on this perspective, the study also analyses the effects of shopper characteristics on variation in loyalty behavior by using chi square analysis.

#### **Relation between shopper characteristics and loyalty behavior:**

Through discriminant analysis, the study analysed the discrimination in perception of store choice criteria's among the four groups. To explore the reason behind this variation in perception, the study intends to examine the relation between shopper characteristics and loyalty behavior. Chi square analysis will help to analyze the problem. The relevant data is presented in table 6.8.

Table 6.8

*Effects of shopper characteristics on store loyalty*

	Total sample	Loyal	Spurious loyal	Latent loyal	No loyal	P value
<b>Demographic Characteristics</b>						
<b>Age</b>						
30Up to	138	21(15%)	14(10%)	44(32%)	59(43%)	0.002
50-30	261	79(30%)	28(11%)	90(34%)	64(25%)	
Above50	51	14(27%)	9(18%)	16(31%)	12(24%)	
<b>Education</b>						
Upto secondary level	92	14(15%)	6(7%)	35(38%)	37(40%)	0.054
diploma/Degree	146	42(29%)	17(12%)	49(34%)	38(26%)	
PG and above	212	58(27%)	28(13%)	66(31%)	60(28%)	
<b>Occupation</b>						
Professional	94	24(26%)	15(16%)	29(31%)	26(28%)	0.00
Business	51	15(29%)	12(24%)	29(57%)	11(22%)	
Employed	150	29(19%)	15(10%)	68(45%)	57(38%)	
Others	135	26(19%)	9(6%)	24(18%)	41(30%)	
<b>Income in Rs. (Monthly)</b>						
Less than 25000	153	23(15%)	5(3%)	67(44%)	58(38%)	0.00
25000-50000	153	33(20%)	18(12%)	54(35%)	48(31%)	
50000 and above	144	58(40%)	28(19%)	29(20%)	29(20%)	
<b>Sex</b>						
Male	263	54(21%)	27(10%)	83(32%)	99(38%)	0.00
Female	187	60(32%)	24(13%)	67(36%)	36(19%)	
<b>General purchase behaviour</b>						
<b>Distance from residence</b>						
Less than 5km	216	78(36%)	34(16%)	44(21%)	60(28%)	0.00
5-10 km	121	26(22%)	14(2%)	43(36%)	38(31%)	
More than 10km	113	10(9%)	3(3%)	63(56%)	37(33%)	

	Total sample	Loyal	Spurious loyal	Latent loyal	No loyal	P value
<b>Frequency of visit</b>						
Regularly	199	96(48%)	44(22%)	29(15%)	30(15%)	0.00
Occasionally	107	15(14%)	6(6%)	54(52%)	32(30%)	
Seasonally	63	1(1.6)	0	32(51%)	30(48%)	
Rarely	81	2(3%)	1(1%)	35(43%)	43(53%)	
<b>Starting to visit</b>						
Less than 2 year	124	12(10%)	11(9%)	39(31%)	62(50%)	0.00
2-3 year	150	43(28%)	21(14%)	48(32%)	38(25%)	
greater than 2 year	135	59(34%)	19(11%)	63(36%)	35(20%)	
<b>Amount of purchase (in Rs.)</b>						
Less than 2000	192	9(51%)	7(4%)	61(32%)	115(60%)	0.00
2000-5000	102	13(15%)	7(7%)	66(65%)	16(12%)	
Greater than 5000	156	92(59%)	37(29%)	23(15%)	4(3%)	

Source: Survey data

From the table it can be seen that, most of the demographic variables, except education ( $p > 0.05$ ) have significant influence on the variation in store loyalty levels. Age wise classification result shows that, 30% of middle age group (30-50 years) customers were showing high level of loyalty, whereas percentage increases in Latent loyals in all age groups are many. Youngsters (43%) are not high loyals in organized retail outlets. While we considering the income pattern of Non loyals, majority of them are having low income. Further details can be seen in the above table.

Further, Majority of loyal customers are highly educated, whereas Non loyal customers are having low levels of educational back ground. Majority of Loyal customers belongs from professional and business category, however most of the no loyal customers were belongs from employed and others category. The income wise analysis shows that majority of Loyal customers belongs to high income category,

while most of the Non loyal are belongs from the low income category. Gender wise major part of loyal customers belongs to female category, while majority of Non loyal customers are male category. Further details can be seen in the above table.

While we look into general purchase behaviour, the result reveals that from the 216 short distant customers, 36% customers are Loyal, indicates distance plays an important role in loyalty behavior. Frequency of visit also influence loyalty, majority of regular visitors is loyal. Amount spends on shopping also influences the degree of loyalty. Further details can be seen in the above table.

From the above discussion we can infer that Loyal shoppers are mostly middle aged, highly educated, most of them are professionals or business persons with high income and female customers. Loyal customers are frequent buyers and spend large amount on each shopping and high familiarity with the organized retail outlet.

Spurious loyal belongs to senior (above 50) age category, with high income, high education and low distant consumers. Latent customers are middle aged with low income, reasonably educated and employed and majority of them are females, they occasionally go to organized outlet. To them organized outlets are in distant location, further they spend average amount on shopping. Non loyal customers are mostly youngsters with low education, employed with low income. They rarely got to organized outlets and spend small amount on shopping.

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CHAPTER VII

**SUMMARY FINDINGS  
CONCLUSION AND SUGGESTIONS**



The Retail Sector of the Indian Economy is going through a phase of tremendous transformation. This sector of the economy is categorized into two segments such as organized and unorganized retail sector with the latter holding a larger share in the retail market. At present the organized retail sector is also catching up very rapidly.

Changing consumer demographics in terms of increasing double income households and youth population, better education among the people etc. fuelled the growth of organized retail sector in India. However, some research findings reveal that even though the number of footfalls in organized retail outlets is high, conversion rate in terms of sales is relatively low. This indicates that consumers spend only a meager share in organized outlets. Hence, the present study aims to analyze the consumer perception and behavioural intentions in an organized retail industry through perception management concept. Perception management process involves management of consumer perception favourably towards the organized retailer and enhancing the commitment and loyalty among the consumers.

### **Significance of the Study**

There are varying arguments regarding the growth of organized retailing in India. Some scholars list out the likely benefits of large-scale organised retail. Kumar (2006) argued that FDI in retail improves growth prospects. Liberalization of retail raises overall economic welfare and does not result in loss of employment. Some restructuring will take place but local markets will not close down. Both can coexist as they fulfill different needs and serve different clientele. Mehta (2007) opine that organized retail would bring significant benefits to Indian consumers and give them

value for money. "The standard of living of the people will increase and they will have a better lifestyle which will result in the development of the economy as a whole."

But there are opposing arguments also in connection with organized retail development; first of all, organised retail brings about monopoly. There will be just 4-5 retail giants who would be having a greater hold over the market. The result may not be that the consumers get the best product and the best price. What we get as a result of organized retail sector is compromised quality and compromised price. It doesn't necessarily lead to the general economic development or income generation in the nation as most of the profit taken from the end consumer is divided mostly between the producer and the retailer. The worker or the service-man gets a smaller part. Organized retail also leads to a monopoly in buying prices whereby the retailer buys the goods at a price that he thinks is suitable for him. There is a reduced role of market forces or in other words the market forces are controlled by the big retailers, which mean that it no longer remains free market economy at all. Further, the producer of the good is also not paid the best price or the reasonable price.

Amidst the contradictory arguments the present research intends to find out how the consumers perceive and respond to the stimuli provided by the organized retail outlets.

### **Objectives of the Study**

In this context the present study aimed to understand the consumer perception of retail marketing stimuli's provided by the organized retailer. It also tries to analyses the perceptual change about the organized retail stores after their visit to the store. Objectives of the study are:

1. To analyze the perceptual change of consumers with regard to marketing stimuli's provided by the organized retailer after their visit to the outlet.
2. To analyse store atmosphere influence on consumer emotions.

3. To develop a framework describing the nature of store loyalty behavior based on the influence of the store atmosphere, marketing stimuli perception and store commitment.
4. To investigate the effects of store evaluations(marketing stimuli perception) and shopper characteristics on store loyalty and
5. To make necessary recommendation based on the findings of the study.

### **Hypotheses of the Study**

On the basis of the above objectives the following major hypotheses have been formulated.

1. There is no difference in the consumer perception about marketing stimuli's of organized retail store before and after their visit.
2. Store atmosphere does not significantly influence consumer's emotions.
3. Consumer's loyalty is independent of the consumer's age, gender, education, occupation and income.
4. Consumer's loyalty is independent of the type of products they purchase, locational distance, amount of purchase, frequency of visit, year of starting the visit and sources of information to visit.

**In addition to the above the research model test the following hypotheses**

<b>Hypotheses(Aggregate &amp;Format wise)</b>	
H1:	Store atmosphere has no significant influence on merchandising perception
H2:	Store atmosphere does not significantly influence furtherance perception
H3:	Store atmosphere does not significantly influence service perception
H4:	Store atmosphere does not significantly influence locale perception
H5:	Store atmosphere does not significantly influence remittance perception
H6:	Store atmosphere does not significantly influence Affective commitment
H7:	Store atmosphere does not significantly influence continuance commitment

H8:	Merchandising perception does not significantly influence Affective commitment
H9:	Furtherance perception does not significantly influence Continuance commitment
H10:	Remittance perception does not significantly influence Continuance commitment
H 11:	Locale perception does not significantly influence Continuance commitment
H12:	Locale perception does not significantly influence affective commitment
H13:	Merchandising perception does not significantly influence normative commitment
H14:	Furtherance perception does not significantly influence normative commitment
H15:	Service perception does not significantly influence normative commitment
H16:	Affective commitment does not significantly influences behavioural loyalty.
H17:	Affective commitment does not significantly influence attitudinal loyalty
H18:	Normative commitment does not significantly influence behavioral loyalty
H19:	Normative commitment does not significantly influence attitudinal loyalty
H20:	Continuance commitment does not significantly influence behavioural loyalty
H21:	Continuance commitment does not significantly influence attitudinal loyalty

### **Research Model Used**

The study makes an attempt to make a validation of the perception management model, based on the Stimulus-Organism-Response mechanism in consumer behaviour. For testing the model the study make use of Warp PLS software. The research model has validated.

### **Methodology**

The study is designed as a descriptive one based on both secondary and primary data. The sources of secondary data are journals like Journal of Marketing Research, Journal of Advertising Research, Journal of Consumer Research, Business

Today etc. Since the information collected from the secondary sources is not sufficient for the study, the researcher mainly based the study on relevant primary data collected by conducting a field survey.

### **Sample Design**

For the purpose of sampling the whole state of Kerala is divided into three regions based on geographical location namely southern, central and northern regions. From each of these regions one district is selected at random. Thiruvananthapuram, Thrissur and Kozhikode have been selected at random as first stage sample to represent Southern Region, Central Region and Northern Region of Kerala respectively. As the second stage sample one organized outlet each from the three types of formats was selected at random. Then 50 customers each were chosen at random from each selected organized formats (Shopping Mall, Hypermarket and Super Market). The data was collected systematically by interviewing every 10<sup>th</sup> consumers visited in a shop, having 5 consumers were interviewed in a day. In this way 50 consumers were interviewed in a week including the holidays. All together there were 450 respondents who were selected as the representative of the above mentioned formats.

### **Research instrument used**

Taking into account the objectives of the study an interview schedule was prepared covering different aspect of the study. Based on the pretest some modifications were made in the schedule before the main survey.

### **Variables used for the study**

To prepare the profile of respondents the variables like age, Education, gender, residence, income, and occupation were used. To measure the general purchase behaviour of organized customers the variables like Starting to visit, Frequency of visit, Type of products, Amount of purchase, Distance of residence were used. To measure the Marketing Stimuli's Perception of Customers variables like Superior Product quality, Widebrand selection, Variety in each brand, Reasonable price, Easy billing, Multi payment options, Good Parking facility, One

stops shopping, Convenient location, Discounts, Products on offers, In store promotional Offers, Helpful employees, More product knowledge, Individual attention were used. To measure the emotional influence of store atmosphere variables like Store layout, Public areas, Air condition, Music and Cleanliness were used. To analyze the store commitment and loyalty Affective commitment, Continuance commitment, Normative commitment, Attitudinal loyalty, and Behavioural loyalty were used.

### **Data Analysis**

Tools like Paired sample t test, Chi-Square Analysis, One-Way ANOVA, Structural equation modeling, Discriminant analysis were used. SPSS Analysis software package and Warp PLS were used for the purpose of primary data analysis.

### **Limitations of the study**

Social science researches are always subject to some inherent limitations. This study is also no exception. Following limitations are worth mentioning:

1. Respondents had to recall their memory while answering some of the questions in the schedule; hence the memory recall errors are possible. However efforts have been taken to reduce it to the minimum by cross questioning them.
2. Organised retail consumers visit the store for different purposes, as a result of which collecting required data from this varied group are tiresome. They are forced to spend more time with researcher for sharing the information; some respondents are very reluctant to answer.
3. The study was based on different categories of products and the researcher did not undertake a microanalysis on specific products or variants and
4. There may be personality variables or situational factors that are not included in the study which may have an influence on the behavioural pattern of the respondent.

## **Presentation of the Thesis**

The whole thesis has been presented in seven chapters. The first chapter presents the objectives, hypothesis, conceptual framework, methodology and limitation of the study. The second chapter gives a brief summary of the studies conducted hitherto on the topic. The third chapter provides an overview of organized retail and consumer behaviour. While the fourth chapter mainly deals with perception management, the fifth & sixth chapter analyses the consumer perceptual influence on loyalty. The seventh and final chapter highlights the major findings of the study and put forward certain suggestions to marketers / practicing managers, consumers and retailers.

## **Chapter II Review of Literature**

A large volume of literature on the various aspects of organized retailing and consumer behaviour are available in India and abroad. The researcher has gone through most of the literature available on the subject under study. A brief review of the various studies is given under three heads viz.

1. Factors responsible for retail growth.
2. SOR (Stimulus-Organism-Response) mechanism in retailing and
3. Other related studies.

The review of literature on Factors responsible for organized retail growth has showed that this is an area where large number of studies has conducted both in India and other parts of the world. The studies were related with role of promotion in motivating customers, problems faced by the organized retailers in India, possibility of the integration of Business Intelligence with Supply Chain Management, targeting and positioning of malls, the impact of the retail FDI policy on Indian consumers, impact of supermarket on small contract farmers in Madagascar, commonalities and differences in strategies adopted by organized apparel retailers in India and abroad, retailing innovations in the context of a globalizing retail environment, FDI in multibrand retail, satisfaction level of customers towards Big bazaar, consumers

attitude towards emerging retail formats, Implementing RFID and impact of growing organized retail on different aspects of the economy. None of the studies were conducted in Kerala relating to organized retailing. So there exists a research gap.

The literature on Stimulus–Organism–Response model revealed the interrelationship between various stimuli's and the internal process within the organism such as emotions and perception and the behavioural response like commitment, loyalty, trust etc. It was divided into three categories, first section deals with stimuli's provided by retailer, second section on perception and its management and third section on behavioural intentions.

The studies relating to stimuli's provided by modern retailer are sensorial cues, specific elements in the store environment influence consumer inference about merchandise and service quality, visual merchandising of cosmetics and a perfume, physical environment merchandising display and space layout, store image factors, M-R environmental psychology model, consumer behaviour towards organized retailer.

Organism aspect mainly consists of consumer's perceptions and emotions, positive self-perceptions and negotiation strategies, the effects of different types of stimuli on the visual evoked response and its relationship with intelligence, organizational perception management, and informational element of power etc.

Response is measured through commitment and loyalty intentions. Impacts of affective and continuance commitment, forms of relationship marketing, self-concept/brand image congruity and relationships of satisfaction, trust and commitment etc comes under this category. There exist a research gap with respect to the analysis of relationship between organized retail stimuli's- Perception and emotion as organism- Commitment and loyalty as response. No studies were conducted regarding this model of SOR for perception management.

Third section of the literature deals with those studies that have an effect on the study but not directly. This includes variations of Customer Engagement,



attitude towards mall attributes, typology of shoppers, assortment planning, different dimensions of supply chain, buyer-seller relationship in market transaction etc.

On an overall it can be concluded from the review of literature that there have been a number of studies on various aspects of organized retailing. But no specific study has been conducted on the influence of perception on behavioural intentions, Loyalty of organized retail consumers, perceptual change of consumers before and after visit to the outlet, relationship between shopper characteristics and shopper evaluations on consumer loyalty. To fill that void this research study titled Perception Management towards Organized Retailing is conducted.

### **Chapter III- An overview of Indian retail sector**

Retailer is one of the last chains in the distribution management. This chapter contains an overview of distribution management process, role of wholesalers and retailers in distribution process. Further an in depth description about the retail in India including - evolution of retail, types of retail, advantages of organized retail, challenges faced by organized retail and the major players of organized retail are dealt by this chapter.

When having a look on the present scenario of organised retail, it can be observed that organized retail is in its infancy in India but developing fast. The next 5 to 10 years are critical for its scaling up to have a visible impact on the backend operations of retailers. The Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment. India continues to be among the most attractive investment propositions for global retailers. Few global giants like Levi's, Pepe, Marks and Spencer etc. had entered targeting the upper middle and rich classes of Indians. However, as more than half of population was constituted by lower and lower middle class people, the market was not completely captured. The growing middle class is an important factor contributing to the growth of retail in India. Consumer markets in emerging market economies like India are growing rapidly owing to robust economic growth. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure. With India's large 'young'

population and high domestic consumption, the macro trends for the sector look favorable.

To discuss the role of government in organized retailing, a theoretical overview about FDI in retailing is also included in the chapter. The Government recently passed a cabinet note and permitted FDI up to 51% in multibrand retailing with prior Government approval and 100% in single brand retailing thus further liberalizing the sector. This policy initiative is expected to provide further fillip to the growth of the sector. Government and businesses need to work together to ensure that this opportunity is not lost but is used in a manner that benefits most stakeholders in the chain from retail to tail. This can be done when the government establishes and follows policies for the continued growth of modern retail, and uses tax revenues collected from organized retailers to build infrastructure in commodity chains that helps farmers, wholesalers, and traditional retailers, as well as the procurement activities of modern retail itself. Each commodity chain is unique and needs careful assessment by both business and government. The transition to organized retail can be made more inclusive by bringing farmers and traditional retailers into the mainstream of this structural change, without sacrificing the efficiency of the value chains.

#### **Chapter IV – Perception Management**

The existence of customer is integral to the existence of the retailer. As consumer behaviour starts with perception, firstly consumer behaviour models are described in the present chapter. The ability to understand consumers are the key to developing a successful retail strategy. A key factor in understanding customers is identifying the customers for product or service i.e., the target segment and the demographics of this segment, their needs and buying behaviour. The behaviour of retail shoppers varies across markets. A mix of factors like the range of merchandise sold in the store, the convenience of the outlet, the time spend on travelling to the store, the socio economic background all influence the buying behaviour. Recognition of the need for a product or service is the first stage that may lead to a consumer buying. In the next stage, the consumer seeks information about the

product and the place where he can make purchases. Depending on the criteria important to him, the consumer evaluates the various options available and narrows down the choice to a few stores where he may make purchases. A buying decision is then made. The experience during and after the purchase leads to satisfaction or dissatisfaction with that particular store. In each stage of purchase, the stimuli exposed, situational and individual factors will influence the consumer. As perception is important component of behaviour, its management is essential for the existence of the retailer.

Perception management looked at different informative signals and strategies that affect the perception of consumers and how these perceptions affect customer's behavioural reaction towards retailer. It is the task of perception management is to manage the complexity of modern retailer's identity expressiveness efforts in order to influence positive perceptions of consumers. Perception manager needs to understand through what type of signals consumer's perceptions of a retailer constructed are, the degree to which different signals matter to form their perception of the retailers (Elsbach, 2003). A signal refers to information cues that stakeholders can receive and they can use to assess relevant attributes of the modern retailers. Retailers use their knowledge of perception to enhance strategies; issues surrounding store and shelf location are important determinants of perception. As perception is not a function of sensory input alone, it will also be influenced by individual and situational factors (Leon G Schiffman L. L., 2004). The retailer should be beware about the target markets expectations and motives and should provide most suitable situational stimuli's in the form of better ambience and quality services.

## **Chapter V- Influence of store atmosphere on perception, commitment and loyalty**

This chapter discusses in detail about the consumers marketing stimuli perception, emotional influence of store atmosphere, commitment and loyalty in organised retailing. It also makes a comparison of the three formats of organized retail. Further, the study measures the perceptual change of consumers with regard to the store choice criteria's before and after visit to the organized outlet.

In this chapter the researcher make a validation of the conceptual model. It is found that the store atmosphere will influence marketing stimuli perception and this will in turn influence consumer commitment and loyalty.

### **Chapter VI-Store evaluations and shopper characteristics on store loyalty**

This chapter classifies consumers based on behavioural and attitudinal loyalty, into four categories. Loyal, Non loyal, Spurious loyal and Latent loyal consumers. Further the analysis reveals that variation in consumer perception will result in variation in loyalty. Perception of Loyal and Non loyal consumers is varying. In the same way shopper characteristics i.e., general purchase behaviour and demographic characteristics are different for different groups.

The analysis of primary data completed with this chapter. The next chapter deals with summary, important findings, and suggestions.

#### **Result of Hypotheses testing**

<b>Hypotheses</b>	<b>Test used</b>	<b>Result</b>
H1: There is no difference in the consumer perception about marketing stimuli's of organized retail store before and after their visit.	Paired sample t test	There is significant difference in the consumer perception about marketing stimuli's of organized retail store before and after their visit, Hence H1 is rejected.
H2: Consumer's loyalty is independent of consumer's age, gender, education, occupation and income.	Chi square	Consumer's loyalty is dependent of consumer's age, gender, education, occupation and income. Hence H2 is rejected.
H3.Consumer's loyalty is independent of type of products they purchase, locational distance, amount of purchase, frequency of visit, year of starting to visit and sources information to visit.	Chi square	Consumer's loyalty is dependent of type of products they purchase, locational distance, amount of purchase, frequency of visit, year of starting to visit and sources information to visit, Hence H3 is rejected.

Hypotheses result relating to research model is given in the V<sup>th</sup> chapter itself.

## **Major Findings of the Study**

### **Sample Profile**

- More than 50% of the consumers belong to the age group of 30- 50 years.
- Gender wise male respondents (58.4%) are more compared to female respondents (41.6%).
- Education wise, forty one per cent of respondents are postgraduates and professionals.
- Occupation wise, majority of consumers belong to the employee category followed by professional Category.
- Income wise, equal proportion from all income groups, at least one third of the consumers belongs to the high income, middle income and low income categories respectively.

### **General purchase behaviour**

- Word of mouth through friends is the most influencing source of information (33.9%).
- People mostly prefer Shopping Mall (39.8%) and Hyper market (44.6%) to purchase ready-mades.
- Majority (48%) of organized retail consumers reside within a distance of 5km or less.
- Majority of the respondents (44.2%) regularly visit the organized outlets.
- Most of the consumers are very familiar with the organized outlets (39.1 %).

- Fourty two percent of respondents spend only a small amount in shopping in the organized outlets.

### **The study revealed the following major findings**

#### **Before visit perception**

- Consumer's before visit perception with regard to the organized retail in aggregate is high positive. No statistical difference among the formats.
- Consumers before visit merchandising perception about organized retail are high positive. Format wise it is significantly different. Consumer's perception is high in Shopping Mall compared to the other two formats.
- Consumers before visit Furtherance perception about organized retail are high positive. Significant difference among formats. In Hypermarket perception is average, but it is high in Shopping Mall and Supermarket.
- Before visit service perception about organized retailing is more than average. Format wise it is high in Shopping mall followed by Super market and Hypermarket.
- Consumers before visit locale perception about organized retail are high positive. Significant difference among the format. Locale perceptions are high in Shopping Malls followed by Hyper Market and Super Market.
- Consumers before visit remittance perception are more than average in aggregate. Among formats significant difference is there. In Shopping Mall high positive perception, while it is more than average in the other two formats.

#### **Perceptual Change**

- After their visit to the organized outlet their positive perception has decreased significantly. Among the format also decrease in positive perception.

- Consumer's positive perception regarding merchandise decreased after their visit to the organized retail outlets. Format wise perception shows variation. Decrease in positive perception is high in Shopping Malls. Component wise perception shows that consumers perceive that Supermarket and Hyper market provide better quality products than they thought before. But product quality in Shopping Malls is not up to the level.
- After their visit to organized outlets respondents came to know that various range of brands are not available as they perceived earlier, but they found that in Hypermarkets, there are variety of products within the available brands.
- Consumer's perception regarding locale aspect of the organized retail outlet also shows decrease in positive perception. Format wise decrease is high in Shopping Mall. Component wise result reveals that, after their visit to the organized outlet, consumers perceived one stop destination is high in Hypermarket compared to the other two formats.
- With regard to remittance aspect, consumer's perception has increased after their visit to the organized outlets. No significant differences among format also.
- Respondent's furtherance related perception about organized retail outlet has decreased after their visit. Format wise variation in result. Format wise perceptual change shows that, Hypermarkets provide more offers, in store promotions and reasonable prices than the consumer perceived earlier. In the other two formats perception positive decrease in the furtherance perception. Result reveals that due to the entry of organized outlets consumers do not get the benefit of lower price as the retailers claimed.
- Service related perception does not change even after the consumers visit to the organized outlet. Format wise no difference. Component wise comparison reveals that Hypermarket consumers did not get individual attention from employees. Moreover consumers opine that in Supermarket

and Hypermarkets there are no sufficient number of employees. After direct exposure with the store, consumers perceive that they get better personnel services in Shopping Malls compared to other two formats.

### **Store atmosphere**

Consumers with incomplete information about merchandise or service quality tend to base purchase decisions on inferences they make from various information cues (Zeithmal, 1988).Based on this view the study conceptualise store atmosphere as the physical environmental cues which have an influence on consumer perception. It includes Layout,air condition facility, public area, attractive smell, music & cleanliness.

- Consumers have the opinion that the organized retail outlets store atmosphere creates high positive emotions. Format wise result shows it is high in Shopping Mall.
- Regarding Layout of the organized outlets consumers felt positive emotions. Format wise no significant differences.
- In organized outlets, consumers feel negative emotions while they listen to music. Format wise result shows that in Shopping Malls consumers feel happy with the background music. But majority of the Hypermarket consumers feel bored while they listen to the music as in Hypermarkets some consumers are regular visitors and they opined that the in store music is repetitive. Supermarket consumers also don't feel happy while listening to the music played there.
- Consumers feel happy with regard to organized retail outlets public areas facility. Format wise, difference is there. Hyper market consumers felt negative emotion, while in other two formats it is positive.
- Consumers feel high positive emotions with regard to organized retail outlets clean surroundings. Format wise no difference.



- Consumers do not feel much happy with the attractive smell in the organised retail shops. Format wise result shows that in hyper market and Supermarket they feel negative emotions.
- Air condition facility in the organized stores make the consumers feel happy. Format wise result shows that in the Hypermarkets positive emotions provided by the air condition facility is comparatively low.

### **Store Commitment**

In the present study commitment is measured through Affective, Normative & Continuance commitment. Affective commitment is based on emotional attachment, Normative commitment means some obligations which binds the consumer with the organization, and continuance commitment is the cost associated with leaving the organization.

- Consumer commitment is above 3 as against a maximum of 5 indicating that consumers have strong commitment with the organized retail outlets.
- Format wise comparison shows that, consumer commitment is higher in Hypermarket (mean score 3.93) followed by Supermarket (mean score 3.18), while it shows only average level in Shopping Malls.
- Consumers affective commitment is more intense (mean score 3.58) than continuance (mean score 2.76) and normative commitment (mean score 3.20). Format wise result shows that, affective commitment is higher (mean score 3.98) in Hypermarket, although it is positive in the other two formats also (Shopping mall 3.37; Super market 3.57), but its strength is not high as in Hypermarket.
- Component wise analysis shows that consumer's enjoyment and attachment is higher in all types of organized outlets, whereas consumer feels scarcity of alternatives in the case of Hypermarket format (mean score 3.52).

## **Store Loyalty**

The present study make use of (Day,1969) conceptualization of store loyalty. In which loyalty includes both behavioural and attitudinal loyalty. Behavioural loyalty is expressed through repeat purchasing behaviour while attitudinal loyalty reflected through positive attitude towards the retail outlet.

- Consumers have loyal in the organized retail outlets as indicated by the mean score value of 3.05,as against a maximum of 5,which shows 60% responses favorable with the loyalty measurement items. No statistically significant difference among formats.
- Component wise analysis shows that, behavioral loyalty is below average (mean score 2.9) which indicates consumers repeat purchasing behavior is low in organized outlets, the format wise comparison shows in Supermarkets (mean score 3.23) consumers shows behavioral loyalty, whereas in hypermarkets(mean score 2.6) and Shopping Mall(mean score 2.8) it is very low.
- The result indicates that consumers have favorable attitudinal loyalty towards organized outlets. Format wise analysis shows that they have higher attitudinal loyalty in Hypermarkets (Mean score 3.73) followed by Shopping Mall (Mean score 3.22) and Supermarket (Mean score 3.0).

**The significant observations from the hypotheses testing of the model are the following:**

- The emotional influence of store atmosphere stimuli's on the perception of consumers were highly supported in all the formats, indicating that the store music, air conditioning, layout, and cleanliness have the power to influence consumers perception positively towards the retailer.
- The linkage between store atmosphere to loyalty through merchandising perception and affective commitment is stronger in organized outlet. Format wise also similar is the result.

- Store atmosphere influence on merchandising perception in aggregate is high ( $\beta=0.5, p<0.01$ ). Format wise result shows in Shopping Mall and Super Market ( $\beta=0.65$ , and  $\beta=0.56, p<0.01$  respectively) is high. But in Hypermarket it is comparatively low ( $\beta=0.18, p<0.01$ ).
- Merchandising perception is the main factor influencing affective commitment in organized outlets ( $\beta=0.47, p<0.01$ ). Format wise result shows that in Shopping mall ( $\beta=0.30, p<0.01$ ) and Hypermarket ( $\beta=0.32, p<0.01$ ) the influence is almost same. But in Supermarket intensity is low ( $\beta=0.13, p<0.01$ ).
- Affective commitment, Normative and continuance have high influence on organized retail behavioural and attitudinal loyalty. The influence of affective commitment on attitudinal loyalty is very high ( $\beta=0.18, p<0.01$ ) in organized retail. Format wise also the influence is high.
- Consumers perceived that better variety, quality and wide range of brands are available in organized outlets; this perception create an obligation (Normative commitment) in their mind to make purchases from there.
- In addition the promotional offers, in store promotions conducted by the retailers and discounts offered have influenced them to form normative commitment towards organised retailer.
- Salesperson's behavior also influence in forming normative commitment. However, in hypermarket sales person's does not influence consumer's normative commitment.
- Consumers perceived that organized retailers especially, Hyper markets and Shopping Malls provide better offers, in store promotions and discounts. Further they also provide one stop destination facility and parking. Moreover, the store ambience is very attractive. So they are forced to come again in future (Continuance commitment).
- The emotional attachment (Affective commitment) and obligation

(Normative commitment) force to maintain a relationship which in turn has an influence on repeat purchasing behaviour. Further it leads to a positive attitude towards the organized outlet among consumers. This indicates that those consumers who feel a personal attachment and obligation will certainly show a repeat purchasing tendency.

### **Store Evaluation (Marketing Stimuli Perception) and Variation in Loyalty**

- Loyal customer's perception with regard to marketing stimuli perception is above 3 as against a maximum of 5, which indicates that more than 60% have positive perception.
- Spurious loyals have high perception in most of the factors, whereas their perception is comparatively low with loyal group regarding reasonable price (mean score 3.13) and discount availability (mean score 3.05).
- Latent loyals also have high positive perception in almost all factors, whereas Non loyals marketing stimuli perception is low compared to the other three groups.
- Variation in consumer perception results in variation in degree of loyalty. Loyal consumers have better perception on furtherance and a few aspects of merchandising such as quality and variety and they have positively perceived the locale aspects also.
- Latent loyals also have high positive perception in almost all the factors.
- Spurious loyals have better perception on variety of brands, personnel services and better parking. Their low perception in furtherance may be the reason for the lack of attitudinal loyalty.
- Non loyal consumer's perception regarding marketing stimuli is negative.

### **Store loyalty and Shopper antecedents**

- Loyal shoppers are mostly middle aged professionals or business persons with high income and education; most of them are female. They are frequent buyers and spend large amount on each shopping and they are highly familiar with the organized retail outlet.
- Spurious loyal belongs to senior (above 50) age category, with high income and education and their place of domicile are near to the organized outlets.
- Latent loyal shoppers are middle aged with low income, reasonably educated and employed and majority of them are females. They occasionally go to the organised outlet. To them organised outlet are in distant location, further they spend only an average amount on shopping.
- Non loyal shoppers are mostly youngsters with low education and employed with low income. They rarely go to organised outlets and spend only a small amount on shopping.

### **Conclusion**

From the foregoing discussion it is clear that consumer perception significantly influence the loyalty behaviour. The Consumer's perception with regard to almost all the elements of marketing stimuli is positive. However, when compared with the before visit perception, it was found that the perception of all elements decreased significantly after consumers have direct experience with the organized retail outlets. Attractive store atmosphere is an effective marketing tool of organized retailers. The study result reveals that the layout, air condition and cleanliness create a positive affect among consumers. While the attractive smell, public areas and music could not make a positive emotional feeling. It was found that perception and emotion can influence the behavioural intentions of commitment and loyalty. Result reveals that consumers felt affective commitment more than normative or continuance commitment. Though consumers are not making frequent purchases from organized outlets, they have positive attitude towards it. On the basis

of attitudinal and behavioural loyalty the study categorizes the consumers as Loyal, Spurious loyal, Latent loyal and Non loyal. The study found that variation in shopper characteristics and shopper evaluations (perception) results in variation in shopper loyalty.

### **Suggestions**

Based on the observations and findings of the study, the following suggestions are made.

- Organised retailers should focus on and improve the following marketing stimuli. 1. product quality, 2. wide range of brands, 3. reasonable price, 4. offers, and discount and in store promotions, 5. Parking.
- Normally, the salesperson is the one who interacts much with the shoppers in the store leading to more chances of influencing their shopping decision. However, the analysis suggested that consumers do not get much personnel assistance from the salespersons while shopping at hypermarket. Thus, the role of salesperson is important and therefore well trained and skilled sales staff is a must.
- On the basis of this research, the recommendations made to the managers and retail owners is that they must take into account the attractive smell, public areas for rest and background music of the outlets to match with the perceptions of the consumers. The scent used in retail outlets must be pleasing and attractive to both males and females. It is recommended playing of music for creating a soothing environment. Many store owners do not know whether music really influence consumer behaviour at all and therefore play music “just because everyone else does”. Managers in a retail setting should adapt music according to their customers and this could even differ in different days or time of the day. Otherwise, managers run the risk of turning half their clientele into unpleased and stressed consumers.

- Presence of affective and normative commitment is beneficial to the organized retail outlet. While the former one is based on emotional attachment and the latter is based on some obligation. Organised retail outlet should take steps to enhance the affective and normative commitment.
- Continuance commitment will affect the retailer negatively, as it is based on switching intentions, which indicates that the consumers are forced to maintain a relationship with the retailer even though he does not like that. so measures should be taken to reduce the continuance commitment.
- The findings reveal that the behavioural loyalty is very low in organized retail outlet. But the attitudinal loyalty is high. The retailer should implement appropriate techniques to convert the attitudinal loyalty into behavioural loyalty.
- In the present study the perception management linkage is expressed through stimulus-organism-response mechanism. Stimulus consists of marketing stimuli and store atmosphere. Organism represents the perception and emotions. So the response is the end part, through which perceptions are managed. Here the response is measured based on loyalty. Based on the loyalty behaviour, consumers are classified into four groups. So for management of perception the study make some suggestions to these loyalty groups.

### **Loyal Consumers**

Majority of loyal customers belongs to highly educated female group. They are professionals and business women. If the women are working they need to save time in preparing for and executing Supermarket shopping. Methods that reduce time in the store (uncluttered aisles, scanning equipment, ex-tra express lanes, and extra checkers during the after-work rush) and increase convenience (extended hours, fully stocked shelves, carryout service, phone in/drive through) may be more critical to this segment than a supermarket's price level and specials. Point-of-

purchase displays targeted directly to this segment (quick and easy meals, nutritious snacks, items for brown bag lunches) may be useful to this group.

### **Latent Loyals**

Latent loyals belong to low income group, and they are located in distant places. To attract this group the retail manager can employ special events and programs free of cost, like prize win contest, musical events etc. Moreover proper communication should be given to them through offer books and messages. Week end and monthly offers will attract them to the store. Loyalty cards and points through cards can be implemented to retain relationship with them.

### **Non Loyals**

Non loyal belong to the youth category with low income. They spend only a small amount for shopping. Retail managers can form “youth clubs” and online sale to attract this category. As they constitute the future customer base. Retailers can provide offers in youth oriented products.

### **Spurious Loyals**

Constitute aged consumer group. They are educated but attitudinally they are indifferent towards the outlet. Retailers can enhance the store image through social involvement programs to create a positive attitude among the senior age group consumers.

### **Scope for Further Research**

Further research can focus on the following topics:

1. The present study does not consider all the aspects of marketing stimuli. There are many other stimuli which have an influence on consumer perception. Further study can be conducted by including that also.
2. Organised retail consumer's conversion rate is a relevant area to be studied.



3. The research model has only focused on how perception and commitment leads to loyalty; the influence of other antecedents of loyalty has not been considered. Future research can also focus on simultaneously addressing other factors such as subjective norms, trust, satisfaction, alternative attractiveness that affect consumer loyalty.
4. Consumer's perception about organized retailers is measured in general and not based on any specific products. Further research can be conducted in specific product categories.
5. Consumer's impulse buying behaviour in organized outlets is another area to be studied.

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## **APPENDICES**

**APPENDIX I**  
**INTERVIEW SCHEDULE**

**Consumer Perception**

Dear Respondents,

We are conducting this study as a part of research work to know the consumers perception regarding the **organized retail outlets**. This is an academic exercise and the information obtained will be treated as confidential.

**Personal data**

**Age:**

**Education:** Up to secondary level  Degree/Diploma  PG and above

**Sex:** Male  Female

**Residence:** Rural  Urban  Semi urban

**Income (monthly):** Less than 250000  25000-50000  Above 50000

**Occupation:** Professional  Business  employed  others

**General purchase behavior**

1. Did you make any purchase from here?

Yes  No

2. How often you visit the retail outlet?

Regularly (once in a month or more)  Occasionally (once in a quarter)   
Seasonally (festivals, winter, etc.)  Rarely

3. How did you come to know about these retail outlets?

a) Friends  b) T.V  c) Newspapers  d) Internet

4. Since how long you are starting to visit the retail outlet?

a) <2year  b) 2-3years  c) d) > 3 year

5. What is the approximate distance of your residence from the retail outlet?

1) 5 Kms and less  2) 6 Kms to 10 Kms  3) 4) More than 10 kms

6. Which type of products do you prefer to buy from here?

(Please put **tick** marks)

Type of products			
Shopping malls & Hypermarket		Supermarket	
Basics (Food, Grocer and General provisions )	<input type="checkbox"/>	Fruits &vegetables	<input type="checkbox"/>
Readymade garments	<input type="checkbox"/>	General provisions (rice, wheat, Atta etc.)	<input type="checkbox"/>
Electronic items	<input type="checkbox"/>	Personal care products (Powder, cream etc.)	<input type="checkbox"/>
Footwear	<input type="checkbox"/>		

9. How much will you purchase for on an average when you visit the store?

- 1) Less than 2000  2) Rs.2000 to Rs.5000  3) More than Rs.5000

### Marketing perception

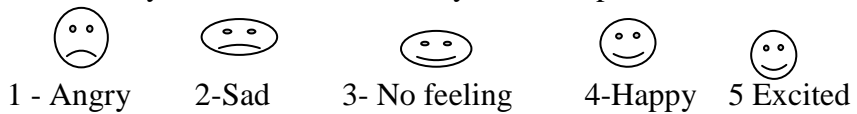
1. What is your opinion regarding the following factors of shopping mall before you make any purchase from there and after your purchase from there?

(Please rate: 1=Very bad,2=Bad,3=Neither good nor bad,4=Good,5=Very good)

	Before your visit						After your visit				
	1	2	3	4	5		1	2	3	4	5
Superior Product quality											
Wide range of world class products(Brands)											
Variety(Uniqueness)											
Availability of discounts											
Availability of products on offers											
In-store promotion											
Reasonable price											

Easy billing(check outs)										
Multi payment(Card payments)										
Helpful employees										
More product knowledge										
Enough employees										
Good Parking facility										
One stop shopping(All in one place)										
Convenient location										

3. Given below some of the retail atmospheric elements, if you liked it very much you would point to face 5, if you did not like it at all you would point to face 1.



	1	2	3	4	5
store layout					
Public areas					
Air condition					
Cleanliness					
Attractive smell					
Music					

Using the scale of (1= **Very Low**, 2=**Low**, 3= **Neither Low nor High**, 4=**High** and 5=**Very High**), please indicate how strongly you agree or disagree with each statement.

<b>Affective</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
I make purchases from here because it enjoys me					
I feel safe and secure when I make purchases from here					
I like to identify with the retail outlet					
I feel I am personally attached to this outlet					
<b>Continuance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>I make purchases from this outlet because:-</b>					
No worthwhile alternatives are here					
Feel disturbed, while losing points and rewards available here					
My life would be disrupted, if I switch away from this retail outlet					
<b>Normative</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
It has given many offers and rewards in the past, I would not think it right to switch away					
I like some special products available here					
I have a sense of obligation towards this retail outlet					

### **5.Store Loyalty**

<b><u>Behavioural</u></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
I like to come again					
I frequently visit this retail outlets					
Major part of monthly purchases are done from thisoutlets					
<b><u>Attitudinal</u></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
I recommend this retailer to my family and friends	1	2	3	4	5

Say positive about this store	1	2	3	4	5
It is an ideal place	1	2	3	4	5

Thank You

## APPENDIX II

### II LIST OF ORGANISED RETAIL OUTLETS IN SAMPLED DISTRICTS

Districts	Serial No	Shopping malls	Serial No	Hyper Market	Serial No	Super market
Thrissur	1	Shobha City Mall, Puzhakkal, Thrissur	1	Bismi Hypermarket, Near Aswini Hospital	1	Elite Super Market, Pallithanam, Thrissur
	2	Mall of Joy, Shakthanhampuran Nagar, Veliyannur	2	Big Bazaar Hypermarket, Near Aswini Hospital	2	Holey Supermarket, Cheruthuruthy, Thrissur
					3	Elite supermarket, Thrissur
					4	MCP Supermarket, Irinjalakkuda, Thrissur
					5	Reliance fresh, Kunnamkulam, Thrissur
					6	Elite Supermarket, North Bus stand, Thrissur
					7	A to Z Supermarket, Thaikkad Junction, Thrissur.
					8	Kadengath Supermarket, Chittilappally, Thrissur.
					9	EP Supermarket, Kuttippuzha Nagar, Thrissur.
					10	Elite Supermarket, College Road, Thrissur
					11	City Super Market, Round West, Thrissur.
					12	Reliance Supermarket, East Fort, Thrissur
					13	Greens SuperMarket, Chalakkudy, Thrissur
					14	Neethi Supermarket, Porathissery, Thrissur.
					15	Grand Mart Super Market, Kodungallur, Thrissur.



					16	DarsanaSuperMarket,Panagad,Thrissur
					17	Hillvalley Super Market,Thrissur
					18	Neethi Super market,Kodungallur,Thrissur
					19	SivashakthiSupermrket,Punkunn,Thrissur.
					20	Rams Supermarket,Punkunnam,Thrissur
					21	EP Supermarket,Kunnamkulam,Thrissur
					22	MathaSupermarket,Minalur,Thrissur
					23	RbcSupermarket,Punnayurkulam,Thrissur
					24	FathimaSupermarket,Orumanayur,Thrissur
					25	ThattilSupermarket,Porathissery,Thrissur
					26	Surya Supermarket,Kizhakkummuri,Thrissur
					27	VallikkunnathSupermarket,Chelakkara,Thrissur
					28	VengapilliSupermarket,Pazhayanur,Thrissur
					29	Cosmos Supermarket,Thiruvathra,Thrissur
					30	EsafSupermarket,Killanur,Thrissur
					31	LiwaSupermarket,Paruvakunnu,Thrissur
					32	F&fSupermarket,Pallippuram,Thrissur
					33	Johns Supermarket,PullurRoad,Thrissur

Thiruvananthapuram	1	RP Mall,Kollam	1	Big Bazaar, East fort,Thiruvananthapuram	1	NilgiriSupermarket,Pulimoodu,Thiruvananthapuram
			2	Big Bazaar,Kesavadasapuram,Thiruvananthapuram	2	Divine supermarket,Kovalam junction ,Thiruvananthapuram
			3	Kunnil Hypermarket, Kulathoor,Thiruvananthapuram	3	MahaMahalSupermarket,Murinjalapalam,Thiruvananthapuram
			4	KunnilHypermarket,nanthala,Thiruvananthapuram	4	Nilgirissupermarket,Kallampally,Thiruvananthapuram
					5	Spencers,MahathmaGandhiroad,Palayam,Thiruvananthapuram
					6	PhenixSupermarket,Nanthankode,Thiruvananthapuram
					7	KunnilSupermarket,Thirumala,Thiruvananthapuram
					8	More Supermarket,Marappalam,Patto m,Thiruvananthapuram
					9	KunnilSupermarket,Paruthippara ,Thiruvananthapuram
					10	Spencors,Patto m,Thiruvananthapuram
					11	Spencorsdaily,Vellayambalam,Thiruvananthapuram
					12	Real Value Supermarket, Alummoodejunction,Thiruvananthapuram
					13	More for you,Vattioorkkavu,Thiruvananthapuram
					14	Nilgiris,NearMuseam,Thiruvananthapuram
					15	Reliance Fresh,Perookkada,Thiruvananthapuram
					16	More for you,Ambalamukku,Thiruvananthapuram
					17	Capital mart supermarket,Pangappara,Thiruvananthapuram

					18	Reliance fresh,Vazhuthakkadu,Thiruvananthapuram
					19	Seven ten Supermarket, Kawadiyar, Thiruvananthapuram
					20	Greens Supermarket,Kaithamukku,Thiruvananthapuram
					21	V Kay Supermarket, Kazhakkuttam, Thiruvananthapuram
					22	K R Super market, Manacaudu, Thiruvananthapuram
					23	Aga Supermarket,Nedumanguad,Thiruvananthapuram
					24	BRM Supermarket,Arumaloor,Thiruvananthapuram
					25	PreethiSupermarket,Kazhakkottam,Thiruvananthapuram
Kozhikode	1	Hilitemall,Pala zhi Bypass Junction, Calicut	1	Big Bazaar,Arayidathupalam ,Calicut	1	Reliance fresh, Kotooli, Calicut
	2	Focus mall,Calicut			2	Day Mart,Nadakkavu, Calicut
	3	RP Mall,Arayidath upalam,Calicut			3	More Super Market, Calicut
	4	Emerald Mall,Arayidath upalam,Calicut			4	Grand fresh, Eranhippalam, Calicut
	5	Surabhi shopping mall,Ramanatt ukara,Calicut			5	Everything Super market, Karaparamba, Calicut
					6	Grand fresh,Panniyankara, Calicut
					7	Reliance Fresh,Meenchantha, Calicut
					8	Reliance fresh,Oppositetagorehall,Calicut

					9	KM Supermarket, Bypass road, Meenchantha
					10	R K Super market Vellimadukunnu, Chevayoor
					11	Winfair Super Market, Malaparamba, Calicut
					12	Day Mart Super Market, Balussery, Calicut
					13	Anona Super Market, Nadakkavu, Calicut
					14	Reliance Fresh, Pottammel, Calicut
					15	Reliance Fresh, Kunnamangalam, calicut
					16	Everything Super Market,Karparamba, Calicut
					17	Pravasi Super Market, Malayammal, Calicut
					18	Metro Super Market,Kalaranthiri Road, Calicut
					19	Fresh Mart Super Market,Payyoli, Calicut
					20	More For You,SuperMarket, Merykkunnu
					21	Orchid Super Market, Farook College , Calicut
					22	Ruby Super Market, Perambra, Calicut
					23	Reliance Fresh,Nadakkavu , Calicut
					24	Grand Mart Super Market,Nadapuram ,Calicut
					25	Grand Fresh,Mankav, Calicut
					26	Loyal Super Market, Atholi, Calicut
					27	MS Super Market, Nadapuram, Calicut
					28	Grand Mart Super Market,Vallikkadu ,Calicut