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**A STUDY ON CONSUMER PERCEPTION AND ITS
EFFECT ON CUSTOMER LOYALTY WITHIN THE
INDIAN RETAIL SECTOR**

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A Study on Consumer Perception and Its Effect on Customer Loyalty within the Indian Retail Sector

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Abstract – This paper examines consumers' perception of store and product attributes and customer loyalty in Indian context. Store attributes are assessed in the dimensions of store appearance, service quality and convenience of store. Product attributes dimensions investigated include product quality, price and availability of new products. In this study, customer loyalty is considered as repeated purchasing behavior of consumer towards a store. The results suggest that except product price, other store and product attributes have positive effects on customer loyalty. Store attributes such as service quality and convenience of store and product attributes such as product quality, price and availability of new products show significance towards customer loyalty.

Keywords: Store Attributes, Product Attributes, Customer Loyalty, Retailing.

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INTRODUCTION

Enhancing and retaining customer loyalty has been identified as a major source of competitive advantage within the retailing sector (Chang and Tu, 2005). Retailers need to develop strategies that recognise customer loyalty as a multifaceted and complex construct influencing customer preferences and decision making (Huddleston, 2004).

Knox and Denison (2000) highlight the importance of developing retail strategies to manage consumer patronage, customer loyalty and shoppers switching behaviour. Therefore, focusing on factors that can influence consumers' patronage and build customer loyalty is imperative (Sirohi, Mc Laughlin and Wittink, 2008).

Literature indicate that, product and store attributes influence store patronage and customer loyalty (Chang and Tu, 2005; Marandi, Little and Sekhon, 2006). Mitchell and Kiral, (2008) suggest that store attributes effect on customer loyalty vary across retail format, time and region. India has one of the highest densities of retail outlets (15 million) compared to any other countries (Anonymous, 2006). Majority of these retail outlets are small and medium sized. The Indian food retailing sector had been highly regulated and protected from foreign competition for a long time (Sinha and Banerjee, 2004).

However, foreign retailing firms are pushing for deregulating the industry and the government has shown interest to deregulate the economy (Anonymous, 2006). Thus, a study focusing on consumer perceptions and loyalty towards retail stores at Indian context is important. As, product and store attributes are important antecedents to customer loyalty, this study investigates the effect of those attributes on customer loyalty. First, the paper provides literature review and the research hypotheses. This is followed by the methodology and the results. The paper concludes with a discussion and research implications.

LITERATURE REVIEW

Customer loyalty is customer's intention to purchase a specific product or services in future repeatedly (Jones and Sasser, 2005). Customer loyalty is defined as an interaction between customers' relative attitude towards a brand or store, and their repeated purchase behaviour towards that brand or store (Dick and Basu, 2004).

According to Rhee and Bell (2002), customer loyalty is an important indicator of store health. Customers can have long-term or short-term loyalty (Chang and Tu, 2005). Long-term loyal customers not easily change their store and product choice. In contrast, short-term loyal customers switch when they find a better alternative. In this study, store loyalty is measured using parameters such as consumers'

willingness and intention to purchase in future and, their choice behavior.

Considerable research has been directed towards store attributes and customer loyalty in western countries (Carpenter and Moore, 2006). However, limited attention has been paid to this issue in developing countries. Consumers' perception of store attributes influenced by retail formats, type of products, cultural value, shopping intention and customer base (Paulins and Geistfeld, 2003). Bearden (2007) states that store atmosphere, location, parking facilities, and friendliness of store people are the salient factors that influence consumer store patronage. As a result store attributes such as service offering, activities, facilities and convenience have major influence on customer satisfaction and loyalty (Chang and Tu, 2005).

Consumer preferences of product attributes vary according to product nature and socioeconomic nature of consumer (Uusitalo, 2001). Product attributes are often continuous in nature (Vishwanathan and Childers, 2009). The attributes model proposed by Gwin and Gwin (2003) posits that consumer choice is based on maximising utility from the product attributes subject to budget constraints. Choice theory suggests that, consumers' decision making process depends on certain basic product attributes (Vishwanathan and Childers, 2009). The basic product attributes used in previous studies are quality, price, variety, assortment and value of the products (Gwin and Gwin, 2003).

Sinha and Banerjee's (2004) study in India indicate that store convenience and customer services positively influence consumers store choices, whilst, entertainment, parking and ambience facilities had a negative influence on consumer choice. Indian consumers were also found to be price sensitive and quality conscious (Tuli and Mookerjee, 2004). Choo, Jung and Pysarchik (2004) note that Indian consumers' attitude towards new products are changing significantly and this can increase their intention to shop in new retail formats such as supermarkets. Thus, product attributes such as quality, price, and availability of new products are important constructs within the Indian context.

RESEARCH STUDY

The Means-end chain theory (MEC) is used as theoretical underpinning for this study. MEC theory explains consumers' motivations towards products and store attributes (Mort and Rose,

2004). According to Gutman (2002), consumers' motivation towards products originates from consumers personal relevance to those products. These motivations encourage consumers to purchase products and achieve value (Gardner, 2002). According to Mort and Rose (2004), customer loyalty towards store and product is an outcome of customer values towards products. Thus, MEC theory is

concerned with relationships between attributes, benefits, and values (Vriens and Hofstede, 2000).

Store attributes are evaluative criteria that influences consumers' attitude towards a store (Jin and Kim, 2003). Jin and Kim (2003) state that the influence of store attributes on customer loyalty depends on consumers' purposes of shopping and perceptions of store attributes. Previous research has identified store attributes as a multi-dimensional construct including location of store, nature and quality of stocks, in-store promotions, sales personnel, physical attributes, convenience of store, atmospherics and loyalty cards that influences consumer behaviour (Miranda, Konya and Havrila 2005). In this study, store attributes is measured using variables such as store appearance, service quality, and store conveniences and these variables are more relevant to Indian context. Thus, we propose that;

H1: Store appearance has positive effect on customer loyalty.

H2: Service quality has positive effect on customer loyalty.

H3: Store convenience has positive effect on customer loyalty.

PRODUCT ATTRIBUTES AND CUSTOMER LOYALTY

Fast changing consumer attitudes about products have encouraged retailers to develop new positioning strategies to enhance customer loyalty (Gwin and Gwin, 2003). New retail formats and stores are being continuously introduced and traditional retail format need to find ways to retain customers (Uusitalo, 2001). Research suggests that quality, price, availability of new products and product value are the product attributes influence consumer choice (Miranda, Konya and Havrila, 2005). In this study, product attributes is measured in the dimensions of, quality, price and availability of new products. Thus we hypothesises that;

H4: Product quality has positive effect on customer loyalty.

H5: Product price has positive effect on customer loyalty.

H6: Availability of new products has positive effect on customer loyalty

METHODOLOGY

This study is exploratory in nature and is aimed at identify constructs that can be used for a more in-depth study. The measures for this study were adapted from prior research (Magi, 2003; Sinha and Banerjee, 2004; Woodside and Trappey, 2002).

The questionnaire was translated and back translated from English to an Indian language. Mall intercept interviews were conducted to gather data. The survey was undertaken in southern part of India in two cities (Chennai and Coimbatore). All constructs were measured using multi-item, 7 point Likert-type scales anchored from '1'= strongly disagree/dissatisfied/worst to '7'= strongly agree/ satisfied/ excellent. Regression analysis was used to analyse the data.

RESULTS AND DISCUSSIONS

Sixty-five percent of the respondents were male. These figures are similar to those of previous research in the country (Choo, Chung and Pysarchik, 2004; Sinha and Banerjee, 2004), but contrary to findings from Western contexts (Carpenter and Moore, 2006; Nicholls *et al.*, 2006) where most of the respondents from shopping surveys were females. However, the gender differences could be due to the fact that shopping in India is undertaken by the family as a group and male heads of households are more likely to be the respondents. Over 75% of the respondents were degree holders, 17% had a high School education and the rest just had a primary school education. The high proportion of university educated respondents is not representative of the general Indian population. This could be due to the fact that supermarkets are viewed as elitist retail formats. Majority of the respondents (71%) were between 21 and 40, 17% were between the age group of 41-50, 8% above 50 and 4% were 18-20. 79% of the respondents paid for the shopping using cash and the rest used credit card. Majority of the respondents who paid by credit card were government employees (68%) and were in 21 to 30 year age group.

CONCLUSION AND IMPLICATIONS

The present study suggests that store and product attributes determine customer loyalty. Store appearance is not a critical determinant of customer loyalty and product price negatively impact customer loyalty. In conclusion, Indian consumers are more concern about service quality, store convenience, product quality and availability of new products. Thus, the study provides some insights on factors that could be important in managing customer loyalty. First, retail managers need to enhance product quality and store convenience to improve customer loyalty. Second, retail managers must assure quality and availability of new products to enhance customer loyalty.

LIMITATIONS AND FUTURE RESEARCH

The study was explanatory and used a small sample from two towns and thus is not representative of entire population of India. Further research is needed that covers diverse towns and regions in India. Future research can compare consumers using various retail

formats and consumers' perception of product and store attributes on retail formats.

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