Consumer Expectations in an Evolving Organized Retailing in India

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Abstract

Globally Retail Sector has emerged as one of the dominant industries contributing considerably especially in terms of an employment. Retail in India is the most emerging sector in the world. The retail scenario in India is unique. Overall socioeconomic development and retail boom in India have altogether changed the customers' expectations from retail outlets. The share of organized retailing has been increasing considerably for last couple of years. Customers become more demanding and conscious for different attributes and services of retail outlets. These newly emerged retail scenarios generate certain challenges for retailer to survive in this new paradigm shift in retail sector. Present study tries to find out the customers' expectations from retail outlets. It includes fifteen features of retail outlets including both tangible and non-tangible.

For fifteen features of retail outlets, with the help of five point scale primary data have been collected from various demographic groups of customer of seven big cities of Gujarat state viz. Ahmedabad, Surat, Vadodara and Rajkot, Bhavnagar and Jamnagar and Junagadh. All the seven cities of Gujarat state that have been notified as corporations by government of Gujarat, and have considerable number of organized retail outlets of all the types. Data were collected from the individual customers while they were visiting retail outlets for shopping. The main objective of the study is to identify the expectations of customers from organized retail outlets as numbers of new organized retail formats are operating now in Gujarat so that it is very essential for retailer to know the expectations of customers.

With the help of factor analysis, the study endeavors to reduce the fifteen features into the few factors comprising important features, which are closely associated. The study found four dimensions of customer expectation viz. Customers expect shopping convenience from retail outlets, Customers expect availability of full product range with complete information from retail outlets, Customers expect recognition/credibility and Customers expect retail ambience.

Key Words- Retailing, Customers' expectations, Shopping convenience, Retail ambience

Definitions of specialized terms

Retailing: It includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use.

Customers' expectations: Services that customers are looking from the retail outlets.

Shopping convenience: It includes convenience of parking, convenience for movement inside the retail outlets with enough floor space and better layout.

Retail ambience: Exteriors and interiors of the stores and the manner in which they are designed to create the distinctive image of a store.

Introduction

India is witnessing 'Retail Revolution' as the share of organized retail sector increases in our country. Globally Retail Sector has emerged as one of the dominant industries contributing considerably especially in terms of employment. Retail trade is India's largest industry, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. (The Times of India, 2007)

As per Kearney's sixth annual global retail development index (GRDI) released on 21st June 2007 India has retained its position as the most attractive emerging market in the retail sector for third year in a row. Growth in modern retail formats was between 25-30 percent in India while it remained at about 13 per cent in China and Russia last year. (Gibson G. Vedamani, 2003)

The retail scenario in India is unique. Much of it is in the unorganized sector; with over 15 million outlets of various sizes and formats India has the largest retail outlet density in the world. In terms of turnover, the retail business is estimated at $180 billion worth of goods (Gibson G. Vedamani, 2003). Consumer demand for international quality ambience, convenience and infrastructure will drive future growth as this will result in economies of scale and maintain competitive pricing for the consumer.

Retailers are enjoying their special role as gatekeepers within the channel of distribution. Organized retail empowered the retailers by strengthening financial, technological and

operational condition. Retailers are more able to exert their power over suppliers and stock only the brands they wish to sell, depending on their overall retail strategy and supplier relationships David Gilbert (1999)

Changing Customers' Expectations

Overall socioeconomic development and retail boom in India have altogether changed the customers' expectations from retail outlets. Customers become more demanding and conscious for different attributes and services of retail outlets. With the entry of big retail stores with massive investment have altogether changed the retail scene in India. At present, one of the biggest challenges in India is to determine the most effective retail format and accordingly the retail attributes that attract the maximum customers. India being the most diversified country; it is difficult to exactly categorize the customer's expectations from retail outlets.

Evolution of Organized Retailing

Traditional Retail Scene in India was most unorganized retail market. The retail business is run by Mom & Pop having Shop in the front & house at the back. More than 99% retailers function in less than 500 Sq.Ft of area. All the merchandise was purchased as per the test & whim and fancies of the proprietor; also the pricing was done on ad hoc basis or by looking at the face of customer. Generally the accounts of trading & home are not maintained separately. Profits were accumulated in slow moving & non-moving stocks which were to become redundant or consumed in-house.

But now time has changed, Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offering shopping, entertainment and food, all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory.

Organized retail formats worldwide have evolved in three phases

1. Retailers decide on the category and quality of products and services differentiating them from other retailers. Retail formats in this phase are typically super market, department stores and specialty stores.

2. During the second phase, retailers carve a niche for themselves based on a product category and price. Competition intensifies because the product & service on offer become virtually standardized and price becomes the main selling point. This phase normally gives way to discount stores.

3. The third phase arrives when competition peaks. This is when hypermarkets begin to evolve. Hypermarkets usually compete on price and a wider product range, but they normally lack product depth and service components

In India, we are entering into third stage where retailers control the market. Indian markets today desires for value added products and services with good ambience and brands. Organized retailing is projected to grow at the rate of 25-30 per cent per annum and is estimated to reach Rs 1,00,000 crore by 2010 (Sangeeta Singh and Samyuta Bhowmick, 2005).

Literature Review

There are a Variety of interesting studies on customers' expectation and customers' perception in various retailing context have been carried out like customers' perception towards different retail formats, quality and service perception about different kinds of retail outlets in different countries, influence of retail environment on price perception, effect of consumer perceptions of store attributes.

Kathryn Bishop Gagliano and Jan Hathcote studied Customer Expectations and Perceptions of Service Quality in Retail Apparel Specialty Stores. The purpose of their study was to obtain information regarding customers' expectations and perceptions of the level of service quality offered in apparel specialty stores. In addition, this study examines the importance of service as a patronage criterion and provides managerial implications. This study also used Factor Analysis and found four factors categories as personal attention (carrying 13 variables), reliability (covering 3 variables), tangibility (3 variables) and convenience (two variables) Kathryn Bishop Gagliano and Jan Hathcote, 2005).

Lesley Douglas and Robert Connor covered the most significant aspect of retailing that is attitudes to service quality – the expectation gap. In the competitive environment in which hospitality businesses exist, the quality of service is a vital mechanism used to achieve a competitive advantage. Quality is a difficult construct to quantify however the ability to measure quality is key to assessing whether or not the industry provides the service consumers desire. Consumers hold the key to business survival and success. The aim of this study was to investigate how closely consumer expectations of service, and manager and staff perceptions of consumer expectations matched. The SERVQUAL model was used to identify those dimensions of service deemed to be important in assessing service quality. The results show that there is a gap between managers' perceptions of consumers' expectations and actual consumers' expectations. The main implication for the hospitality industry is for managers to develop strategies, which will meet consumers' expectations of service quality (Lesley Douglas and Robert Connor (2003).

Addition to this Orhan Erdem, A. Ben Oumlil and Secil Tuncalp examined Consumer values and the importance of store attributes. Retailing business is greatly affected by the patronage behavioral orientations of shoppers. Understanding these orientations can assist retailers in developing appropriate marketing strategies toward meeting the needs and wants of consumers. One important factor explaining consumer behavioral orientations is their values. Another important factor affecting consumer behavioral orientations is the store image, an image shaped by store attributes. This study examines the linkage between consumer values and the importance of some salient store attributes. Marketing management implications are also discussed. This study used factor analysis as the tool of analysis (Orhan Erdem, A. Ben Oumlil and Secil Tuncalp , 1999).

Caroline Hare, David Kirk and Tim Lang on Identifying the expectations of older food consumers - More than a "shopping list" of wants (Caroline Hare, David Kirk and Tim Lang, 1999)

John W. Pal and John W. Byrom discovered the five Ss of retail operations: a model and tool for improvement. They reviewed the academic and practitioner literature on retail operations and identify five core elements of retail operations. Proposes a method by which managers can examine ways of improving their operations by the use of a modified cause-effect technique. These five 5 S of retail operations are System, Standard, Stock, Space and Staff. The present

study also tries to generalize the essential elements of retailing from customers' expectation point of view (John W. Pal and John W. Byrom, 2003).

Besides these there a number of other studies focusing on customer experience and satisfaction from different types of retail outlets have been found. However there are very few studies focused on only customers' expectation particularly in India

Objectives of Present Study

Customer has some expectations from different types of outlets. Expectation may vary from product to product and one format to other. Customers always enter in a particular retail store with some expectations of good services, pleasant atmosphere, reasonable price, extensive product range and efficient after sales services. The present study also endeavor to recognize the customers expectation for various aspect of retailer such as External appearance of outlets, Parking facility, Floor space for movement, Lighting inside the retail outlets, Interior colour of retail outlets, Cleanliness within retail outlets, Staff behaviour, Information provided by retailer, Range of product available, Replacement facility, Credit facility, Acceptance of credit card, Recognition of regular customer, Availability of other services, Better display and arrangement of products.

The objective of the study was to find out the customers' expectation from organized retail outlets. It includes fifteen features of retail outlets including both tangible and non-tangible. Study attempts to reduce the fifteen features into the few factors comprising important features, which are closely associated.

Research Methodology

This study is based on primary data collected from various demographic groups of customer of seven big cities of Gujarat state viz. Ahmedabad, Surat, Vadodara and Rajkot, Bhavnagar Jamnagar and Junagadh. All the seven cities of Gujarat state that have been notified as corporations by government of Gujarat, and have considerable number of organized retail outlets of all the types. Data were collected from the individual customers while they were visiting retail outlets for shopping.

Through quota sampling, the total number of responses (filled-in questionnaires) received was 590 out of those 28 responses were ignored because of the insufficiency of data. Hence, total 562 responses from seven major cities of Gujarat state were taken as the samples for the purpose of the study. The main reasons for using quota sampling was to prevent the field investigator to apply their personal judgment in selection of respondents and to assure that study would include all types of individual customers from organized retail outlets.

In total sample 66.70 percent respondents were male and 33.30 percent were female respondents. Largest respondents were from Ahmedabad city (20.6 percent) and lowest from Jamnagar (10.9 percent). Around 28 percent respondents belonged to lower income group, 60 percent from middle-income group and rest were from higher income group.

Customers usually see what they expect to see, and what they expect to see is usually based on familiarity, previous experience, or preconditioned set. In a marketing context, people tend to perceive products and product attributes according to their on expectation. (Leon G. Schiffman and Leslie Lazar Kanuk, 1999) Study includes fifteen features of retail outlets including both tangible and non-tangible attributes viz. External appearance of outlets, Parking facility, Floor space for movement, Lighting inside the retail outlets, Interior colour of retail outlets, Cleanliness within retail outlets, Staff behaviour, Information provided by retailer, Range of product available, Replacement facility, Credit facility, Acceptance of credit card, Recognition of regular customer, Availability of other services, Better display and arrangement of products. (Please refer Table.1)

Factor Analysis using 'Principal Component Analysis' method:

Factor analysis was carried out on all the responses (562) to 15 attributes of retail outlets using 'Principal Components Analysis' method with help of SPSS 12.0. The results showed the approximate Chi-Square value of 1365.871 at 351 degree of freedom under the Bartlett's Test of Sphericity, which is significant at the 0.05 levels. The null hypothesis (that the variables are uncorrelated in the population, or the correlation matrix is an identity matrix) is, therefore, rejected. The alternate hypothesis that the variables in the population are correlated is accepted.

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.751, which is sufficiently large. Thus, factor analysis may be considered appropriate for analyzing the data.

Further analysis, therefore was carried out. In the final results, total four factors out of 15 have eigen values more than 1.00. Hence, total four factors are to be considered for interpretation. The results also show that these four factors account for 50.595 percent of the total variance.

It was decided to consider factor loading of 0.600 as a cut off value for an attribute to be associated with a factor. When 'factor matrix' of the above four factors was referred to, and a cut off value of loading of 0.600 was considered; four attributes were associated with factor '1', three attributes with factor 2 and two attributes with factor 3 and 4 each. Table-7 shows outcome of analysis without rotation and three different methods showing number of statements associated with different four factors.

Interpretations of factors:

Factor Number 1:

Retail Outlet's attribute number "b, c and d and e" are associated with this factor. These statements are extracted from the Questionnaire and reproduced below:

Attribute – b. Parking facility

Attribute – c. Floor space for movement

Attribute – d. Lighting inside the retail outlets

Attributes – e. Interior colour of retail outlets

The four attributes stated above reflect "Shopping Convenience" dimensions of customers expectations from retail outlets.

Factor Number 2:

Retail Outlet's attribute number "h and i" are associated with this factor. These statements are extracted from the Questionnaire and reproduced below:

Attribute – h. Information provided by retailer

Attribute – i. Range of product available

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The two attributes stated above reflect the dimension customers' expectation about 'Product Assortment'

Factor Number 3:

Attribute of Retail Outlet number "k, l and m" are associated with this factor. These statements are extracted from the Questionnaire and reproduced below:

Attribute – k. Credit facility

Attribute – l. Acceptance of credit card

Attribute – m Recognition of regular customer.

The three attributes stated above reflect the dimension customers' expectation in terms of "Recognition/Credibility"

Factor Number 4

Attribute of Retail Outlet number "K and L" are associated with this factor. These statements are extracted from the Questionnaire and reproduced below:

Attribute – n. Availability of other services like water, trial room etc.

Attribute – o. Better display and arrangement of products

The two attributes stated above reflect the dimension of 'Ambience".

Findings and Recommendations

Customers' have been asked for their expectations on five point scale for fifteen attributes of retail outlets, out of which eleven retail attributes have been represented by four factors. These four factors - depending upon the associated statements and inferences - can be named as given in the Table: 8 so, ultimately study has found four dimensions regarding customer expectation, which are as follow.

- Customers expect shopping convenience from retail outlets.
- Customers expect availability of full product range with complete information from retail outlets.
- Customers expect recognition/credibility

- Customers expect retail ambience

The present study found almost four similar factors that have been found in the study conducted by Kathryn Bishop Gagliano and Jan Hathcote - personal attention, reliability; tangibility and convenience except one factor i.e. Wide Product Rang.

As mentioned in the literature review, in a similar study carried out in UK by Caroline Hare, David Kirk and Tim Lang on Identifying the expectations of older food consumers - More than a "shopping list" of wants. It has been found that the key retail elements of the food shopping experience are merchandise related, retail practices, staff issues and internal store design. These elements can be directly influenced by retailers. So, the present study also attempt to know such kind of essential retail elements in India from customers' expectation point of view.

John W. Pal and John W. Byrom discovered the five Ss of retail operations i.e. System, Standard, Stock, Space and Staff. Out of these five S most of the S are also found in the study in one or other dimensions.

Erdem, A. Ben Oumlil and Secil Tuncalp did factor analysis of terminal values, instrumental values and store attributes. In store attributes it classifies the various attributes like Physical attractiveness of store, Class of clientele, Reputation for fashion, Brands carried by store, Fairness on adjustments, Helpfulness of salespersons, Quality of merchandise, Convenience of location, General level of prices, Credit arrangements, Special sales or promotions into three factors Status Merchandise, and Price. The present study also finds some common attributes representing essential attributes of retail store, which are given in detail as follow.

1. Shopping convenience

Shopping convenience comprise convenience of parking, convenience for movement inside the retail outlets with enough floor space, better layout, and proper lighting inside the retail outlets so that products displayed can easily be observed and compared. Interior colour of retail outlets help create pleasant ambiance within retail outlets. So, marketer should keep in mind all these aspects while designing store layout, which facilitate the customer select the merchandise easily and effortlessly.

2. Wide product ranges and its information

The study found that customers expect availability of full product range with complete information from retail outlets. Thus, marketers should manage the inventory properly and should have complete information regarding the products they are offering to the customers.

3. Recognition and credibility of the Loyal Customers

It is found from the study that credit facility, acceptance of credit card and recognition of regular customer are important customer expectations that leads to customer loyalty in long run. Regular customers of particular retail outlets expect that marketer should have faith and familiarity with them. Hence, retailer should recognize loyal customers and make them feel good by recognizing and offering some additional services.

4. Retail ambience

In retail ambiance factor two attributes are included- first, availability of other services like water, trial room etc. and second, better display & proper arrangement of products. It suggests that in addition to above all marketers should also give importance to quality of retail climate and atmosphere with all basic and augmented services.

As such the various forms of organized retailing are still at its inception stage in county like India where organized retailing is only approximately four per cent out of the total retail volume in the country. Different forms of organized retail outlets certainly face stiff competition from other organized as well as unorganized retailing formats. Thus the retailer should know that shoppers can be attracted only with more leisure driven facilities and services, they have to be greater concern for merchandise selection, and shopper may visit the retail outlets less often but make more purchases per visit.

Customers are poised for an enchanting experience; the operators could face stiff competition amongst themselves. Three initial strategic elements that need to be carefully evaluated before taking the business decision to establish organized retail outlets: proposed location, services to offer, and identification of purchasing power hubs. It would indeed be challenging for the organized retail outlets to act as retail magnets and be crowd pullers to wean out shopping from traditional markets.

There are number of attributes which effect the consumers' buying decision making regarding the retail selection according the research carried out in a different advanced countries. A store's overall image, including location, nature and quality of product assortment, price, services offered, physical attributes, and atmosphere are few of them. Marketer's understanding of the criteria by which consumers select the organized retail outlets.

Organized retail outlets are set to rule the market in the near future, their sustainability will depend on what value additions vis-à-vis the growing competition in order to drive footfalls towards the retail outlets and away from the one a few blocks away. Given the number of organized retail outlets coming up across the country, it will be the survival of the fittest. In order to come out in this stiff competition, retailer should understand it clearly that shoppers may vary significantly in terms of shopping motivation (why they shop), shopping criteria (what they look for), and shopping patterns (how they shop), and purchase (how they buy) behavior and accordingly they should their differentiation and positioning strategy. While formulating a winning marketing strategy for retail marketing, retailer should consider all the four dimensions of customer expectation which have been found in the present study.

Limitations of the study

We rarely find study without limitations either because of limitations of techniques of investigations used or the recourse constraints. The present study cover only seven big cities of Gujarat state under its scope therefore, the customers' expectation from retail outlets may not be same in other states of the country. Data were collected from the customers of exclusive and multi-brand retail outlets so the study excludes some other format of retail outlets. Quota sampling method was used in present study in which there might be chances of bias because field investigators might select the sample on basis of their personal judgment. Another limitation of the study is that gender wise, age wise, city wise and income wise analysis is simply based on cut off percentage. Further, study is also suffering from some general limitations like constraints of time and money resources. However, attempts have been made to collect data that are more representative and bring meaningful conclusion considering the objectives of the study.

Conclusions

The best retail format is one, which attracts the highest number of customers by delivering maximum customer satisfaction. In order to woo the maximum number of customers, any retailer irrespective of size and type of retail outlets has to know the customers' expectations in terms physical as well as non-physical retail attributes. Retailer should design its overall retail strategy keeping in mind aspects of customers' expectation i.e. Shopping convenience, Wide product ranges and its information, Recognition and credibility of the Outlets/Shops and Retail ambience

Table-1: Mean and Standard deviation of customers' expectation

Sr. No	Attribute	MEAN RATING	SD
a	External appearance of outlets	4.02	0.950
b	Parking facility	3.97	0.970
c	Floor space for movement	3.95	0.941
d	Lighting inside the retail outlets.	4.02	0.992
e	Interior colour of retail outlets.	3.59	1.059
f	Cleanliness within retail outlets.	4.41	0.751
g	Staff behaviour.	4.64	0.674
h	Information provided by retailer.	4.36	0.796
i	Range of product available.	4.36	0.822
j	Replacement facility.	4.05	1.130
k	Credit facility.	3.21	1.281
l	Acceptance of credit card.	3.60	1.203
m	Reorganization of regular customer.	3.92	1.033
n	Availability of other services	3.99	1.000
o	Display & arrangement of products.	4.27	0.731

Table-2: Total Variance Explained

Component	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumula-tive %	Total
a	3.251	21.677	21.677	3.251	21.677	21.677	2.645
b	1.751	11.675	33.352	1.751	11.675	33.352	2.140
c	1.459	9.729	43.081	1.459	9.729	43.081	1.775
d	1.127	7.513	50.595	1.127	7.513	50.595	1.988
e	.999	6.662	57.256				
f	.897	5.979	63.235				
g	.840	5.602	68.837				
h	.772	5.150	73.987				
i	.678	4.521	78.508				
j	.635	4.235	82.743				
k	.588	3.918	86.661				
l	.552	3.682	90.343				
m	.523	3.489	93.832				
n	.489	3.262	97.095				
o	.436	2.905	100.000				

(Extraction Method: Principal Component Analysis. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.)

Table-3 Outcome of Analysis without Rotation and with Rotation by Different Methods

Sr. No.	Rotation Method	Factor			
		1	2	3	4
1	Without rotation	c	---	---	---
2	Varimax rotation	b,c,d,e	h,i	k,l,m	n,o
3	Quartimax rotation	b,c,d,e	h,i	k,l,m	n,o
4	Equamax	b,c,d,e	h, i	k,l,m	n,o

Table-4: Factors and associated variables with Factor Loading

Factors	Factor Name on The Basis of Inference	Factor Loading (Varimax Method)	Factor Loading (Quartimax Method)	Factor Loading (Equamax method)
Shopping Convenience	Parking facility	0.618	0.620	0.615
	Floor space for movement	0.711	0.718	0.704
	Lighting inside the retail outlets	0.669	0.678	0.659
	Interior colour of retail outlets	0.703	0.706	0.700
Product Assortment	Range of product available	0.738	0.738	0.738
	Information provided by retailer	0.673	0.676	0.671
Recognition/Credibility	Credit facility	0.727	0.727	0.725
	Acceptance of credit card	0.681	0.677	0.686
	Recognition of regular customer	0.627	0.625	0.630
Retail Ambience	Availability of other services like water, trial room etc.	0.736	0.733	0.736
	Better display and arrangement of products	0.669	0.659	0.677

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