Impact of Shopping Experience on Consumer Loyalty: An Empirical Study of Organized and Unorganized Retailers in India

ABSTRACT: Indian retail is a mix, or organized as well as unorganized, in retail stores. Shopping experience plays an important determinant factor of consumer’s loyalty, irrespective of type of retail store (organized or unorganized). Favorable shopping experience leads to positive propensity towards consumers’ loyalty, whereas unfavorable shopping experience leads to dis-loyalty. This paper is an attempt to know the impact of shopping experience on consumer’s loyalty in an organized as well as unorganized retailers setup. SEM (Structural Equation Modeling) technique was applied on a sample of 706 consumers to know the impact of various factors of shopping experience on consumer loyalty. The results indicate that all the three factors of shopping experience, considered for the study, have positive impact on consumer loyalty, namely: ERE (Executional Related Excellence), E (Expediting), and PR (Problem Recovery). The ERE, which means patiently explanation and advice, checking stock, helping find products, having product knowledge, and providing unexpected product quality, has the least impact on consumer loyalty. The E, which connotes being sensitive to customers’ time and long check-out lines, and being pro-active in helping speed up the shopping process, has the highest impact on consumer loyalty. While the PR, which means helping resolve and compensate for problems, upgrading quality, and ensuring complete shopper satisfaction, has the least impact on consumer loyalty.

KEY WORD: Shopping experience, consumer loyalty, organized and unorganized retailers, executional related excellence, expediting, and problem recovery.

INTRODUCTION

India’s retail sector is on its way of modernization. Traditional markets are making way for new formats, such as departmental stores, supermarkets, and specialty stores. Westernized malls can be seen fast appearing in metros and tier-II cities, introducing the Indian consumer...
to an implausible shopping experience. A.T. Kearney (2012), the well-known international management consultancy firm, annually ranks emerging market economies based on more than 25 macro-economic and retail-specific variables through their Global Retail Development Index (GRDI). In its 2012 edition, it has ranked India fourth indicating that the country is one of the most attractive markets for global retailers to enter (Kearney, 2012). It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes.

Indian retail is dominated by a large number of small retailers consisting of the local Kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc., which together make up the so-called “unorganized retail” or traditional retail. The last few years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Unorganized retailers have unorganized business activities, like sourcing, procurement, purchase, distribution, quality management, selling, marketing, etc.

Organized retailing refers to trading activities undertaken by licensed retailers, that is those who are registered for sales tax, income tax, etc.; and the business activities are organized, say sourcing, procurement, purchase, distribution, quality management, selling, marketing etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. According to A.T. Kearney, report for the year 2012, organized retail accounts for 7 per cent of India’s roughly US$ 435 billion retail market and is expected to reach 20 per cent by 2020 (Kearney, 2012).

LITERATURE REVIEW

This review of literature is divided into two main parts. First part is related to the shopping experience; and later, second part, with consumer loyalty. Through literature review, three main factors of shopping experience were selected. These factors were

Execution Related Excellence, Expediting, and Problem Recovery.

First, on the Shopping Experience.
The shopping environment refers to the landscape of shopping, changing as it did from the first departmental store to present-day malls to virtual shopping through the internet. It has been found that shoppers behave differently depending on the type of shopping situations (Sinha & Uniyal, 2005).

A fairly extensive amount of research examining individual shopping orientations indicates that orientations impact shopping behavior, including store choice, based on several factors such as consumer demographics and psychographics (Darden & Ashton, 1974; Hansen & Deutscher, 1977; and Cheng, Yee-Man & Hui, 2002), segmentation (Sinha, 2003), and need recognition (Bruner, 1986; and Jansone, 2012). Product category differences are also known to impact shopping orientations, though studies in this area have been primarily limited to online purchase behavior (Vijayasarathy & Jones, 2000).

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

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

C.J. Keng, T.L. Huang & T.L.J.Z. Taipei (2007) found that the personnel interaction actually optimistically influenced that perception of efficiency and excellent value. Encounters in the physical environment
affect the perception of aesthetic and playfulness, and all dimensions of customer experimental value. M.I. El-Adly (2007) found six factors that influence the consumer of the mall, like comfort, diversity, entertainment, mall essence, luxury, and convenience.

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

A. Zia, A. Akhtar & M.K. Azam (2012) identified physical aspect, personal attention given by the store employees to the customers, and courteousness of staff as major determinant factors of shopping experience in organized retail setup. Beside, D. Thang & B. Tan (2003) and R. Dalwadi, H.S. Rathod & A. Patel (2010) supported that consumers’ choice of shopping malls over traditional market stores is influenced by various factors, like location, ambience, assortment, sales promotion schemes, and in-store services.

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

About Expediting. Expediting connotes being sensitive to customers’ time and long check-out lines, and being proactive in helping speed up the shopping process. N.S. Terblanche & C. Boshoff (2006) suggested that retailers will have to accept that it is not only what they are marketing but also how it is done. The personal (face-to-face) interaction between retail staff and shoppers is of critical importance at it effect shopping time. Sales personnel are required to offer instant services, full attention, and to make customer feel willingness to help (Molina & Gil-Saura, 2009).

It is important that sales personnel have sufficient knowledge about products offered in store and they are able to handle complain (Ghosh, Tripathi & Kumar, 2010). Highly skilled, motivated, and helpful sales personnel with good manners, leads to customer’s willingness to visit store again and is one of the success factors in retailing (Vogel, Evanschitzky & Ramaseshan, 2008; and Ghosh, Tripathi & Kumar, 2010). Favorable perceptions of shopping quality, checkout speed, shopping efficiency, and quality of time spent shopping leads to satisfaction, farther satisfaction leads to repeat patronage intentions, and positive word-of-mouth (Anic, Radas & Privredna, 2006).

M.E.R. Molina & I. Gil-Saura (2009) found that customer expectations are more positive, if there are more sales people visible in the store. Expectations are positive, because customers believe that personnel will help them in buying and checkout process. Whereas when store is crowded, customers have more negative expectations. M. Raut & S.K. Das (2011) also found that quick and error free purchase determines the shopping experience. In organized retail shops, consumers experience quick, error free, with cash memo, free home delivery, and on time delivery.

A. Zia, M.K. Azam & A. Akhtar (2012) found that ease of shopping, helpful employees, and quick and error free sales are the important factors that attract consumers to the organized retail outlets. According to S. Kewlani & S. Singh (2012), respondents across all ages, gender, and income find the shopping experience with Malls as time consuming and prefer to shop at small retailers.

About Problem Recovery. Problem recovery denotes helping resolve and
compensate for problems, upgrading quality, and ensuring complete shopper satisfaction. The store policies that were considered included the return or exchange of purchases, shopping hours, payment options, and the system to deal with enquiries or complaints by consumers (Dickson & Albaum, 1977; Westbrook & Richard, 1981; Mazursky & Jacoby, 1985; and Dickson & McLachlan, 1990).

M. Raut & S.K. Das (2011) and A. Zia, M.K. Azam & A. Akhtar (2012) found that effective complaint handling system, good after sales service, error free billing, and easy product return policy by the store are the key highlights of an organized retail store. Meanwhile, unorganized retail store have poor response system.

Second, on the Consumer Loyalty. A.S. Dick & K. Basu (1994) define loyalty as a combination of strong relative attitude and high repeat patronage. R.L. Oliver (1999) argues that loyalty is a deeply held commitment to re-buy or re-patronizes a preferred product or a service consistently in future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to causes switching behavior.

F.F. Reichheld (2003) defines loyalty as willingness of someone a customer, an employee, a friend to make an investment or personal sacrifice in order to strengthen a relationship. In other words, to stick in long term with particular supplier who gives to customer good value of product or service, even though supplier does not offer the best available price. Further, F.F. Reichheld explains that consumer loyalty is one of the most important drivers of business growth, because profitable business growth cannot be achieved without customer loyalty (Reichheld, 2003).

Store loyalty is the most important factor in retail business success (Anic, Radas & Privredna, 2006). Therefore, store loyalty concept has been investigated a lot during the past few decades. How customers develop true store loyalty and how store loyalty can be maintained are still open questions. In order to improve store performance, marketers are interested in customer loyalty drivers and their practical usage (Anic, Radas & Privredna, 2006).

It requires less marketing effort and resources to keep a loyal customer than to acquire a new customer (Sreedhara, Babu & Nagendra, 2010), because the loyal customer is less price sensitive (Tsai, Tsai & Chang, 2010), and more willing to recommend company to other people, thus bringing into business new customer (Reichheld, 2003; Bove & Johnson, 2009; and Tsai, Tsai & Chang, 2010).

RESEARCH METHOD AND HYPOTHESIS

This study is a descriptive study as it describes the factors of shopping experience and consumer loyalty. It is also a causal study since it attempts to establish cause and affect relationship through Structural Equation Modeling (SEM). Since the study is based on the shopping experience and consumer loyalty of retail shoppers, so the unit of analysis was retail consumers.

This research is a cross-sectional study, because it aimed to collect data only once, perhaps over a period of few months in order to answer the research objectives. A sample of 706 consumers was collected through convenience sampling method. In the present study, a structured close ended questionnaire designed, specifically for the study was personally administered by the researcher to the retail consumers. The data was collected from Delhi NCR region.

The hypothesis in this study is following here: (1) H01, there is no significant impact of “Execution Related Excellence” on “Consumer Loyalty” in organized retailers; (2) H02, there is no significant impact of “Expediting” on “Consumer Loyalty” in organized retailers; and (3) H03, there is no significant impact of “Problem Recovery” on “Consumer Loyalty” in organized retailers.

ANALYSIS

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

To test the impact of SE (Shopping Experience) on CL (Consumer Loyalty) in organized retailers, separate hypothesis were framed for all three dimensions. These dimensions are namely: Execution Related Excellence, Expediting, and Problem Recovery. Hypotheses considered to measure impact of shopping experience on consumer loyalty in organized retail environment with the CR (Critical)-values have been listed in table 1.

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

<table>
<thead>
<tr>
<th>S.No</th>
<th>Variable/Dimension</th>
<th>CR (Critical)-Value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Execution Related Excellence</td>
<td>2.18</td>
<td>Not supported</td>
</tr>
<tr>
<td>2</td>
<td>Expediting</td>
<td>3.41</td>
<td>Not supported</td>
</tr>
<tr>
<td>3</td>
<td>Problem Recovery</td>
<td>2.98</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

**Table 2:** Impact of Shopping Experience on Customer Loyalty

<table>
<thead>
<tr>
<th>S.No</th>
<th>Variable/Dimension</th>
<th>Significant Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Execution Related Excellence</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>Expediting</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Problem Recovery</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The findings show that the descriptive statistics obtained, while running the SEM (Structural Equation Modeling) on “Consumer Loyalty”. The findings also show that the CR (Critical)-value obtained on “Consumer Loyalty” with respect to “Shopping Experience”. This has been found that CR-value to be 3.41 which is more than 1.99, which is an indication that significant impact of “Consumer Loyalty” exists in organized retail setup. Thus this hypothesis was rejected.

**About ERE (Execution Related Excellence).** From the findings show that the descriptive statistics obtained, while running the SEM (Structural Equation Modeling) on “Consumer Loyalty”. The findings also show that the CR (Critical)-value obtained on “Consumer Loyalty” with respect to “Shopping Experience”. This has been found that CR-value to be 2.18 which is more than 1.99, which is an indication that significant impact of “Consumer Loyalty” exists in organized retail setup. Thus, this hypothesis was rejected.

**About E (Expediting).** The findings show that the descriptive statistics obtained, while running the SEM (Structural Equation Modeling) on “Consumer Loyalty”. The findings also show that the CR (Critical)-value obtained on “Consumer Loyalty” with respect to “Shopping Experience”. This has been found that CR-value to be 2.98 which is more than 1.99, which is an indication that significant impact of “Consumer Loyalty” exists in organized retail setup. Thus, this hypothesis was rejected.

Table 2 shows the results of SEM (Structural Equation Modeling) to know the significant impact of shopping experience on consumer loyalty. It has been observed that significant impact of all the three dimensions exists on consumer loyalty. This is because of the reason that consumers in organized retail setup get influenced by ERE (Executional Related Excellence), E (Expediting), and PR (Problem Recovery), all the dimensions taken for the study.

Further, it was found that E (Expediting) with highest CR (Critical)-value is the main
Figure 1:
On the SEM (Structural Equation Modeling)
factor which is important for consumer loyalty. This means, in organized retail scenario, consumers give first priority to the ease and quick shopping.

CONCLUSION 1

India’s retail sector is on its way of modernization. Traditional markets are making way for new formats, such as departmental stores, supermarkets, and specialty stores. Westernized malls can be seen fast appearing in metros and tier-II cities, introducing the Indian consumer to an implausible shopping experience.

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

Three factors of shopping experience have positive impact on consumer loyalty, namely: ERE (Executional Related Excellence), E (Expediting), and PR (Problem Recovery). The ERE factor, which means patiently explanation and advice, checking stock, helping find products, having product knowledge, and providing unexpected product quality, has the least impact on consumer loyalty with CR (Critical)-value of 2.18. The E factor, which connotes being sensitive to customers’ time and long checkout lines, and being proactive in helping speed up the shopping process, has the highest impact on consumer loyalty with CR-value of 3.41. While the PR factor, which means helping resolve and compensate for problems, upgrading quality, and ensuring complete shopper satisfaction, has the least impact on consumer loyalty with CR-value of 2.98.

Bibliography


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