

## Factors that affect the choice of Consumers in selecting Retail Store, for Grocery Shopping

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### Abstract

*This research aims to analyze factors that are affecting consumers choice of retail store, specifically grocery stores. This article consists of several sections describing the Problem, its background, Research Objectives and Literature Review. The Data & Analysis section describes in detail the variables identified, how they are measured and prepared for analysis. The next section illustrates all the study analysis findings, what we have concluded from our research that how variables under study are related with each other and affect consumers choice of stores. Convenience, variety, product quality, prices and store loyalty were the main factors identified through initial study and literature review as factors affecting consumers choice of retail stores and hence a research framework designed evaluated these factors and how they affect store choice. Survey questionnaire was used for data collection from 150 respondents based on which research analysis has been done.*

**Keywords:** Customer Perception, Retailing, Store Selection, Purchasing Preference

### Background

The recent decade has seen retail business as one of the growth areas in the global economy, witnessing high growth rates in the developed countries and perching exponential growth in the emerging economies. Rapid growth being an important factor is also followed by increasing competition and emergence of new retailing formats in shaping new scenario of retail stores. (Popkowski Leszczyc, Sinha, and Timmermans, 2000). With introduction of new retailing formats enabling merchandise being offered across different formats, competition has become intense in terms of the direction where it is coming from. Moreover, consumers now take many factors into account when selecting a retail store. The consumers are becoming more sensitive in selecting stores hence increasing importance of retail stores in establishing brand identities rather than just opening retail stores. In the light of these, the study of how consumers choose retail stores, and what drives their store choice, will be an important contribution retail sector and its affiliates in responding to the changing demands of customers and developments in retail sector. Store selection has been a topic of research for many researchers with different perspectives. The retail sector, in particular continues to face structural changes, with some of the changes being reflected by consumer choices regarding when and where to make their purchases.

Supermarkets have grown substantially and become more concentrated, while there has been entry of new grocery store forms such as super-centers and hyper markets. These new options provide customers with alternatives that may increase competition (Medina and Ward, 1999).

“Why do consumers shop at the stores they do?” Marketing academics and practitioners have always put much emphasis on this question as it affects not only where consumers buy, but what and how much they buy. Shoppers rank retail assortments affecting their store choice decisions third in importance behind convenient locations and low prices as a choice criterion (Arnold, Ma and Tigert 1978; Arnold and Tigert 1981; Arnold, Roth and Tigert 1981; Arnold, Oum and Tigert 1983).

### Problem Statement

What are the factors that affect the choice of consumers in selecting a retail store, for grocery shopping?

### Literature Review

“The recent interest in store formats is mainly attributed to innovations in the mix that the retailers are coming up with, owing to the competition. A store format has been defined as the mix of variables that retailers use to develop their business strategies and constitute the mix as assortment, price, and transactional convenience and

experience" (Messinger and Narsimhan, 1997). "It has also been defined as a type of retail mix used by a set of retailers" (Levy and Weitz, 2002). "Different store formats are derived from various combinations of price and service output" (Solgaard and Hansen, 2003).

Trade Literature back in late 1970s first discussed cross shopping which form basis for this literature review as explained by Cort and Dominguez, 1977 and recognized now as the "incidence of consumers shopping at different types of retailer formats for products also commonly referred to intra-type competition (i.e. two different retail formats that sell substitutable products or services)" (Carpenter and Moore, 2006, p4). Further studies based on grocery as well as other sectors evolved issues dealing with, within chain choice (Cort and Dominguez, 1977), within product sector choice (Cassill and Williamson, 1994), choices based upon marketing and store attributes (Gehrt and Yan, 2004; Hansen and Deutscher, 1977) and multi-channel choices (Schoenbachler and Gordon, 2002).

The number of non-traditional grocery outlets has increased substantially in the past few years, targeting specific high volume categories of dry grocery products, paper products, frozen foods, limited perishable produce and meat products, health and personal care products, and general merchandise. Low operating margins provide attractive low priced products to consumers whilst ensuring high volume supplier shipments (Capps and Griffin, 1998).

With the new formats being introduced retail offering of stores in the evolving markets has been studied across different product categories (Sinha and Banerjee, 2004). The choice of retail formats is richer in studies with consumer attributes as explanatory variables with emphasis on consumer demographics. The study of Crask and Reynolds (1978) dealt with frequent and non-frequent shoppers to the departmental stores, and found frequent customers were likely to be younger, more educated, and had higher incomes. Another study of Sampson and Tigert (1992) found warehouse club members to be more upscale as compared to the general population. Similarly, Arnold (1997) reasoned noteworthy differences between the demographic profiles (e.g. age, education, household size) of large-format department store shoppers and non-shoppers. Carpenter and Moore (2006) in one of their study examined store attributes (e.g. price competitiveness, product selection, and atmosphere) as drivers of format choice.

The consumer behavior for store selection has been found very much similar to the consumer behavior for brand choice. The store selection is very much affected by factors like its location, variety, prices offered etc. each being a source of competitive advantage for retailers (Brown 1989; Craig, Ghosh, and McLafferty 1984; Huff 1964). Many studies have also pointed out that the store location along with price, assortment and store environment are most dominant factors in store selection.

Bhatnagar and Ratchford (2004) prepared a model of retail format choice for non durables demonstrating retail format choice being dependent on a number of factors such as travel costs, consumption rates, perish ability of products, inventory holding costs of consumers etc. Studies conducted on shopper behavior and format choice by Dash et al. (1976) found shoppers with higher levels of pre-purchase information shopped more at specialty stores as compared to low pre-purchase information customers purchasing from departmental stores. In another study, Bell and Lattin (1998) demonstrated that large basket shoppers preferred hyper store formats, while, small basket shoppers, preferred small traditional stores, similar results were arrived at by Bell, Ho and Tang (2001).

One view in store choice literature features store location playing important role in store choice specifically due to traveling cost (Brown 1989; Craig, Ghosh, and McLafferty 1984; Huff 1964) Another view focuses on the store attributes like Price being one of the easily noticeable attributes (Bell, Ho and Tang, 2001; Freymann, 2002; Arnold, Oum and Tigert, 1983). The role of store atmospherics, store ambience, store image and store environment has also been studied as a part of store attributes (Martineau, 1958). Another view focuses on consumer side attributes seeing store choice in the context of the risk reduction strategies of the shoppers (Mitchel and McGoldrick, 1996; Mitchell and Harris, 2005). It has also been found to be dependent on the timing of shopping trips, with consumers visiting smaller local store for short "fill-in" trips and larger store for regular shopping trips (Kahn and Schmittlein, 1989). A logical relationship is also analyzed by Bell and Lattin (1998) between a household's shopping behavior and store preference. Where as a narrower segment has been devoted to studying individual difference variables, such as demographic, socio-economic, or psychological variables, as the key predictors of store choice (Bellenger, Robertson and Hirschman 1976; Douglas, 1976; Monroe and Gultinan, 1975; Winn and Childers, 1976).

Income level of families is also been considered a factor of store choice where high family income levels are expected to lead to higher consumption levels, which would imply larger aggregate shopping. Literature from Prais and Houthakker 1971; Houthakker and Taylor 1970 supports the view that a household's income has a major effect on its consumption. Moreover higher income will result in better quality of shopping baskets (Bawa and Ghosh, 1999) and wider variety of assortment in the consumption. Thus the aggregate shopping is expected to grow and diversify with the income levels. High-income households also have a higher opportunity cost for time and are less willing in utilitarian consumption shopping trips, making frequency of shopping trips negatively related to household income (Bawa and Ghosh, 1999) resulting in the shopping trips becoming multi-purpose one-stop convenience. Previous research also shows consumers making tradeoffs when choosing a store.

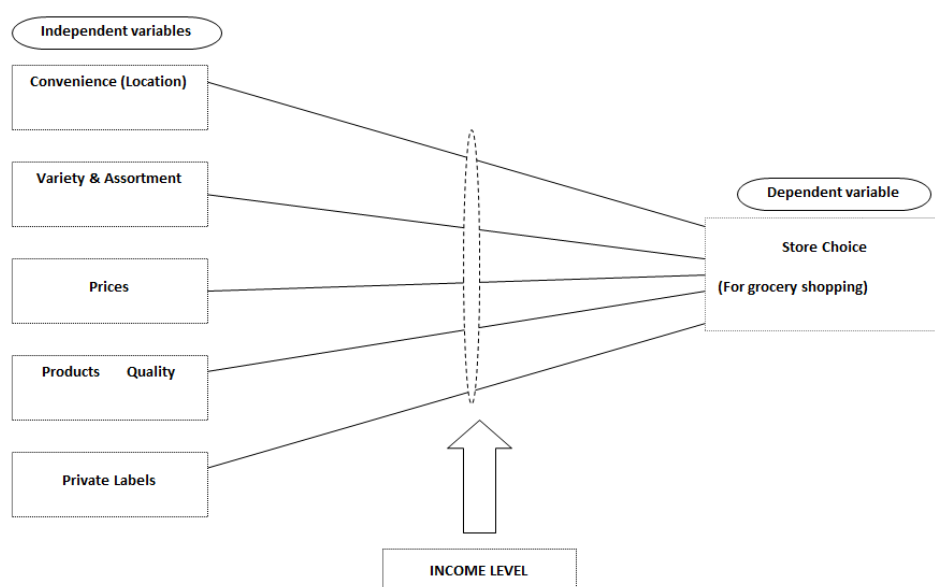
Baumol and Ide (1956) and Brown (1978) observed that shoppers may be willing to travel farther to stores offering more assortments.

A model designed by Sanjev Tripathi assumes that, when deciding for shopping trip, the process by which the shopper chooses a store includes determining categories household needs, calculating utility of shopping at each competing store which is depending on travel distances, expected prices, featured advertising and assortments and thus choosing store offering highest utility.

In view of Palma, Emerson, and House, Traditional grocery stores are expected to face stronger competition

from mass merchants, such as Wal-Mart, so to maintain market share traditional grocery stores must identify ways to compete and gather information on factors influencing customers in choosing a grocery store. This can enable understanding customer reaction to new competitors. According to their conditional and mixed logit models, price and location have statistically significant influence on grocery store choice and in the mixed model, quality was significant, and in the conditional model, service marginally significant(Marco Palma, Robert Emerson, and Lisa House ,2003)

**Conceptual Framework**



**Research Design**

**Methodology**

**Analytical framework**

The visit to a store is a result of a choice made by the consumer between number of possible options. The analyses will be based on quantitative and qualitative data collected on the individual level. Data will mainly be collected from persons visiting shopping stores in the study area. The independent factors to be studied must include information about the consumers as well as about the stores.

Respondents will be asked to evaluate factors such as the quality of products available and prices offered etc. The analyses will assess which factors included would affect consumers to choose shopping alternatives. Consequently, it will be possible to know what drives customers in selecting stores for shopping.

**Data Collection Methods**

Our data collection will be based on primary data collected through questionnaire survey floated among

the selected sample. Survey questionnaire will be respondent completed whereas data will be collected using quota sampling technique based on gender. The area we will cover for our sampling will be Lahore and our target audience will be members of households in Lahore. The sample size is of 150 persons.

**Demographic characteristics of target sample**

Gender	Frequency	Percent
Male	70	46.6%
Female	80	53.4%
Total	150	100

**Analysis Plan**

• **Correlation Analysis**

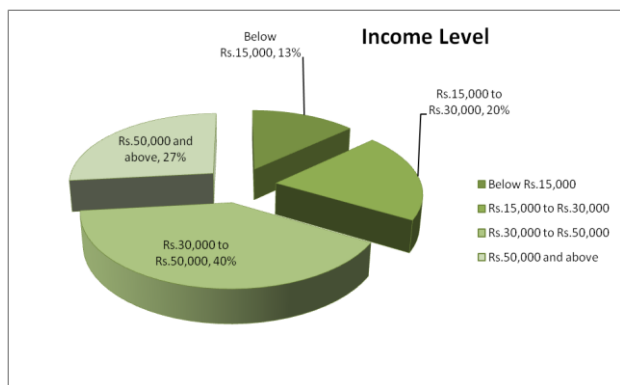
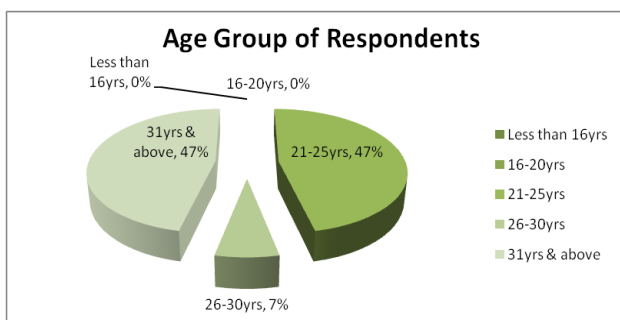
Correlation analysis will be performed to evaluate relationship of the independent variables i.e. Convenience, Variety, Price, Products Quality and store loyalty with Store Choice of consumers. Another factor is income level of households, which is also expected to

influence the relationship of these variables with Store choice.

- **Elaboration through Pie charts, graphs:** Graphs and pie charts will be much effective and helpful tools to analyze the data gathered in the research. We will use these charts and graphs to give a good presentation of the findings drawn from our questionnaire survey.

**Result and Findings**

Data from our sample comprised of responses from 3 age groups mainly who were from four income level classes as shown in pie chart below.



General Findings from data analysis show that almost 47% respondents prefer shopping grocery items once in a month. Store type preference was more towards small departmental stores. Characteristics we link with store types are location and prices for small merchants, location and variety for small departmental stores, variety and quality for chain departmental store & variety, quality and prices for large corporate retail/wholesale stores. So from our analysis we see that 53% respondents prefer going to small departmental stores giving view that location and variety are the factors behind this choice.

80% respondents prefer going to same store usually. 60% respondents are satisfied with the variety offered by the stores they shop from. 73% respondents consider prices offered by stores they shop from to be competitive. 47% respondents give moderate consideration to discounted products. 67% of our respondents shop from store within their residential areas showing more preference for location from our respondents.

The most important factor for selecting a store for shopping appeared to be variety as 53% of our respondents considered variety to be the most important factor when selecting a store. The order of preference or the ranking of each factor under study by respondents was Quality ranked as 1 (most essential) then prices variety and location. This order was verified with the another question where union of individual importance of each factor showed how important or unimportant each factor is for a respondent. That question also showed same results. (See Appendix A)

**Hierarchical Clustering Analysis**

For this we have sorted and filtered our data based on upper two income level respondents to reveal factors deriving their choice of grocery store. Following results are inferred

- For higher income group respondents consideration for prices is at petite level
- Location is not a prime concern for this group of people
- They prefer shopping from large corporate retail stores so as to have a one stop shopping usually once or twice a month
- This income group respondents consider Quality and variety to be most emphasized factors when selecting a store for shopping

Cluster analysis based on the response about variety revealed following results

- The store type from which respondents who rank variety to be most important factor for store choice also depicts variety as factor of choice
- For this group of respondents location moderately affects store choice
- This group appears to be quality conscious also
- Verification of their responses was done by comparing with their answer to a question where this group has checked variety as the most important factor for store choice

**Correlation Analysis**

Correlation analysis between income level and store type selected for shopping shows that both variables are positively correlated with a moderate magnitude. This shows that with an increase in income level respondents will prefer more improved and modern version of stores .i.e. chain departmental or corporate retail/wholesale stores. Moreover, with the increase in income level preference is more towards one stop shopping trips to save time and decrease frequency of shopping trips.

	Income level	Store Type
Income level	1	
Store Type	0.47	1

Correlation analysis of shopping frequency of respondents and store type revealed a negative correlation of moderate magnitude representing with increase in shopping trips frequency respondents will prefer going to stores within residential locations, thus leading us to conclude location is a factor of consideration when shopping trips of respondents are more in a month, they usually prefer going to store near their location. For this purpose they may compromise on variety and other factors.

	Shopping Frequency	Store Type
Shopping Frequency	1	
Store Type	-0.31	1

Correlation analysis of ranked preference variables and income level revealed that location and income level are negatively correlated, thus verifying our previous analysis of income level and store type, variety and income level are positively correlated, showing with increase in income level consumers have access to variety of products, prices and income level are moderately positively correlated and quality and income level are also positively correlated.

	Income level	Location	Variety	Prices	Quality
Income level	1.0				
Location	-0.1	1.0			
Variety	0.6	-0.3	1.0		
Prices	0.2	-0.6	-0.3	1.0	
Quality	0.5	-0.5	-0.4	0.2	1.0

Correlation between Stores discount offering and Ranked preference variables showed negative correlation between location and discount offerings i.e. respondents don't give much preference to location of stores if they give more preference to stores discount offerings. Also, variety and prices are positively correlated with discount offerings and there appeared no correlation between quality and discount offering, means for those preferring discount offering quality may not be a factor of consideration.

	Discount Offering	Location	Variety	Prices	Quality
Discount offering	1				
Location	-0.07	1.00			
Variety	0.41	-0.29	1.00		
Prices	0.65	-0.59	-0.27	1.00	
Quality	0.00	-0.52	-0.41	0.15	1.00

Correlation analysis between income level and location as a factor when choosing grocery store shows that both are negatively correlated i.e. as income level of respondents increase location being a major factor for choosing grocery store decrease.

	Preference for Location	Income level
Preference for Location	1	
Income level	-0.416953924	1

Correlation analysis between ranked variables for store choice and their individual importance for respondents

shows that if location is ranked more important by respondents they will give less preference to prices, variety and quality. When variety is more important, prices and location are negatively correlated. Price is negatively correlated to only variety, meaning when prices are considered variety can be compromised. And when quality is considered it is negatively correlated with all factors showing decreased importance of other factors for respondents when quality is most preferred by them.

	Location	Variety	Prices	Quality	Location	Variety	Prices	Quality
Location	1							
Variety	-0.29	1.00						
Prices	-0.59	-0.27	1.00					
Quality	-0.52	0.41	0.15	1.00				
Location	0.68	-0.61	0.05	-0.25	1.00			
Variety	-0.44	0.73	-0.02	-0.18	-0.44	1.00		
Prices	0.34	0.28	0.07	-0.24	-0.56	-0.03	1.00	
Quality	-0.43	0.03	0.48	0.17	-0.18	0.39	0.43	1.00

### Conclusion

The nature of research was based on qualitative, deductive and interpretive approaches which are followed throughout in the research. This article enabled us to identify and analyze how different factors such as variety, prices, quality and location of stores are affecting people choices when they select a store for shopping. It developed a good understanding of consumers' behaviors and factors they consider to choose retail stores. It has become very important in current competitive markets to understand what consumers' needs are and to deliver them not only appropriate products and services, but appropriate and suitable benefits for an enhanced shopping experience. This research will help Retail Companies and store owners in understanding what factors customers give importance to when selecting a retail store. By looking at the survey data and its analyzed results one can make decisions on what marketing strategies should be used to attract and retain more customers. Additional studies can be done based on this research to have a further in depth analysis of consumer buying behaviors and retail market.

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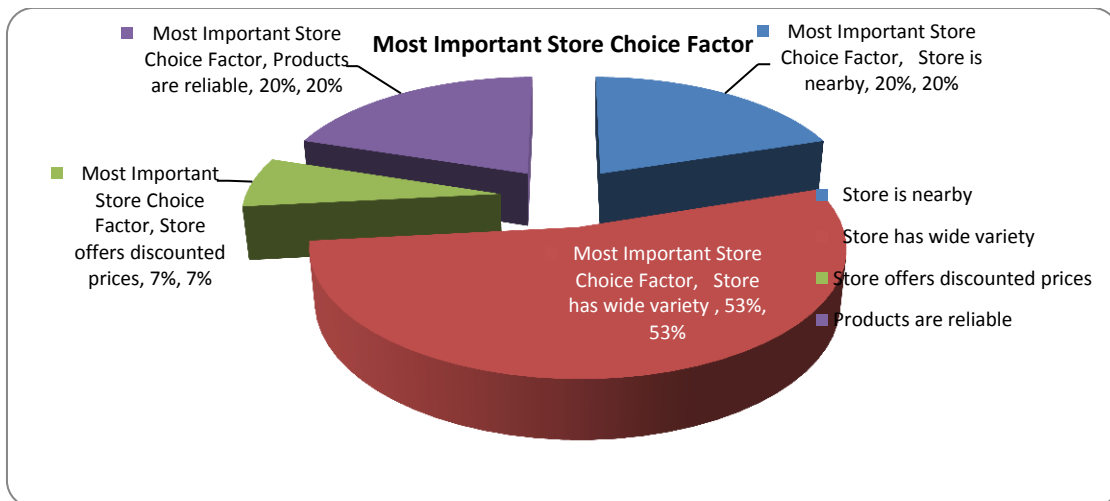
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**Appendix-A**



**Rating of Factors (Responses of correspondents in numbers)**

