

AN EMPIRICAL STUDY ON THE FACTOR OF PHYSICAL AMBIENCE AND ITS CONTRIBUTION TO THE SUCCESS OF ORGANIZED RETAIL IN PUNJAB

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ABSTRACT

This paper aims to examine the role of physical ambience towards success of organized retail in Punjab and to find out dominating factors which retailers should concentrate upon while framing marketing strategies. Present study was carried out on the people of Punjab visiting shopping mall. The study is descriptive in nature. Data has been collected through questionnaire on a sample of 516 people. Convenience sampling technique is used and data have been analyzed through Factor Analysis using SPSS 16. The findings of this research show that mainly there are 4 factor of physical ambience which contributes to the success of organized retail in Punjab. Security (greeting by the security guard, , uses of dogs), Technology (Escalators, surveillance cameras), Atmosphere (Music for entertainment, offer announcement over mic), Relaxation (Sitting bench, rest rooms), Showcase, Fire extinguishers, Parking charges, Decoration (Colour of walls, laser lights), Bar codes , Design of store, Glass walls, Colour of interiors , Antitheft machines and Behaviour of employees are the factors that customers considered while going to mall. Results from this study show the impacts of physical ambience of retail mall in the mind of customers. So while shopping in a retail mall, marketer should include the above factors of physical ambience which are considered important by the customers. The limitations of this research are time and cost. This paper provides useful suggestions regarding the future of organized retail and highlights the factors related to physical ambience which contribute to the success of organised retail.

Keywords: Organised Retail, Consumer Buying Behaviour, Physical Ambience.

Introduction:

In India organised retail is still at a nascent stage but it offers tremendous growth opportunities. For most of the post-independence era retail had been a closed sector but the economic reforms in 1991 saw retail industry gradually opening up for the organised sector. According to Mckinskey report by 2015 India will become a \$450 billion market. This report estimates

that organised retailing accounts for less than 5% of today's market, but is expected to grow between 14% to 18% by 2016. More importantly in just 4 years, 65 million households – adding up 300 million individual's almost equivalent to then US population would patronise organised retailing in India. The major benefits of organised retailing to Indian economy are-

- 1) Productivity – This sector will increase factor productivity by 30-40% and add \$3-\$5 billion in GDP growth over 5 years.
- 2) Lower prices – Consumer will benefit due to lower price by 3-5% and resulting in absorption of 0.5% of inflation.
- 3) Efficiency – It would cut down waste material from supply chain management and increase the income of the farmers by 20-30%.
- 4) Increased Tax collection – It would earn higher tax income for the government, raising it to 1% of the retail sales.
- 5) Employment – It would create 1.6 million formal jobs in retail alone.

Most of the people who are opposing organised retailing is due to fear psychosis. According to the report by Indian council for Research on International Economic Relations (ICRIER) on impact of organised retail on the unorganised sectors has disapproved of this fear. Even in China where there is free flow of FDI only 20% of retail market is organised. So far this sector is mainly dominated by the big companies like Reliance, Bharti, Future, Tata's etc but after the announcement of 51% FDI in multi brand stores most of the foreign players like Wal-Mart, Tesco etc. will be eyeing Indian market which will definitely help farmers to sell their products directly to these retail stores to earn more profit. The main reasons for the expected boom in organised sectors are-

- 1) Consumer India is large- Over 1 billion people and still growing at the rate of 1.6% annually. India adds to itself a population equivalent to that of the Australia each year. It will comprise of 18% of the World's population by year 2030.
- 2) Young population – India has approximately 450 million people below the age of 21 who have just begun their consumption journey.
- 3) Growing Consumerism – Due to increase in the income level and exposure of the foreign country, India is the 4th largest GDP in the world with respect to purchasing power parity (PPP).
- 4) Potential in Tier II and Tier III cities – As the real estate cost is increasing day by day in Tier 1 cities most of the organized retailers are eyeing other markets and people even in these cities are eager to have a new shopping experience.

India has all the ingredients for retail led growth and it is time for action. The fact is millions of young, educated Indians from rural and semi urban areas are entering the job market and earning substantially from the retail trade. Retail is like a curious animal or it may be referred to as a blind man who does not know that elephant is coming towards him.

Review of Literature:

In retail environment, the atmosphere communicates to consumers through nonverbal channels, via sensory perceptions that affect beliefs about a product, a

service or the way in which a service is provided (e.g. Bateson and Hoffman, 2001; Kotler, 1973). This impact is not limited to customers; it has been shown the retail environment can also have a beneficial effect on employees, resulting in increased productivity and positive interactions between staff and customers (e.g. Baker et al., 1988; Milliman, 1982; Smith and Curnow, 1966). The successful layout of a store depends on whether it has a clear and legible concept; i.e. one can easily find products and find them the first time during every trip. The various labels, information posters and signs can contribute to the concept of the store layout design in creating a favourable and attractive store environment (Spies et al., 1997). Another important attribute of supermarket store image is store atmosphere. This refers to the environment that is created by combining a set of visual elements of the physical store environment (colours, displays, decorative features, ease of movement etc.) and stimulation of senses (smell, condition of the air, music, lighting) enabling an aesthetic consumer response. Stores with a favourable atmosphere are likely to increase the positive buying experience and customer satisfaction (Babin and Darden, 1996) as well as affects the time the customer spends in the store and the amount spent (Babin and Darden, 1996; Babin et al., 2003; Donovan and Rossiter, 1982; Bellizzi et al., 1983; Eroglu and Machleit, 1990). Bearden (1977) found that atmosphere, location, parking facilities and friendliness of salespeople affect store choice. Leszczyc & Timmermans (2001) found that consumers tend to choose a variety of stores and overall preference to shop at speciality stores. Furthermore, consumers were likely to select a single store when prices were lower, parking charges were less, better assortment was offered, travel time was reduced and checkout lanes were shorter. Fox et al. (2004) identified frequency of store promotion efforts and product assortment-related factors to be highly influential on format choice in the grocery sector. Interestingly, price was shown to be less influential. Lee and Johnson (1997) found that customer expectations of store attributes also differ according to store type. They observed that customers did not expect much customer service at a discount store while they expect extensive service from a speciality store. A study of the Danish grocery retail industry by Hansen and Solgaard (2004) identified that product assortment as the single most influential variable affecting the choice of retail format across three formats: discount stores, hypermarkets and conventional supermarkets. In addition, price level and location appeared to be influential factors in terms of retail format choice. The study also found that quality and service level did not appear to be influential across the formats. Juhl et al. (2002) investigated the degree of consumer satisfaction in

five European countries – France, Denmark, Finland, Portugal and Switzerland and found that product quality is the most important attribute of store image. Areni and Kim (1994) establish a link between the brightness of lighting and increased examination of merchandise, while Milliman (1982) shows that slower music encourages shoppers to spend more time in-store. Similarly, d’Astous (2000) suggests that loud music results in less time spent in-store. Richard Yalch, Eric Spangenberg (1990) conclude that choice to play music at the stores solely to satisfy customers' preferences may not be the optimal approach; instead music should be varied across areas of a store that appeal to different-aged customers. Forsythe and Bailey (1996) found that age, marital status, occupation and customer’s shopping experience affect the amount of time spent .Age was negatively associated with time spent shopping for females. Crask and Reynolds (1978) compared the demographic characteristics of frequent and non-frequent patrons of department stores and found that frequent patrons tended to be younger, more educated, and had higher income. Dychtwald and Flower (1990) assert that the older customer generally search for convenience, including convenient use of the product or service, as well as convenient procurement of the product. This includes the purchase arrangements, delivery, setup, and instructions for use if required. Lumpkin *et al.* (1985) report that attributes not perceived as primary determining factors in store choice by the elderly are those which deal with tangible aspects, such as carry-out, parking, and location. The elderly desire to be comfortable, but it is not a primary consideration; nor is a great deal of emphasis placed on uncrowded stores or package carry-out. These findings contradict other research (Lambert, 1979; Lowe and McCrohan, 1988; Mason and Bearden, 1978) which suggests that these attributes are important to the elderly.

Need of study:

Retail store attributes affect store choice, time spent in the store and finally purchases by the customers not only in India but all over the world. (Hansen & Deutsher, 1977; Mason & Bearden, 1978; Bateson and Hoffman, 2001; Kotler, 1973; Babbin and Darden, 1996; Leszczyc & Timmermans, 2001) But the store based retailers are facing increased competition from the other stores and from catalogues shopping, television shopping network and Internet E-shopping an as well. So in order to increase sales/survive in market the store based retailers should have knowledge of what attributes attract customer to store. To remain competitive, these store based retailers must be prepared to implement changes ranging from change of décor to updating the product mix and relocating that are convenient to customers. Effective implantation of these changes requires clear

understanding of attributes that affect a customer’s store preference. Present study is an attempt to identify factors that affect store preference of customers in Punjab/India.

Research Objectives:

The main purpose of the study is to find out the factors of store ambience contributing to the success of the organised retail in Punjab.

Methodology:

In-depth interviews were conducted with 20 customers in order to verify any potential problems concerning the language of the questionnaire. Moreover, qualitative research identified the adaptation and in some cases the deletion of specific items. The questionnaire was structured. In total, 6 stores from four cities in Punjab were selected in order to maintain the homogeneity of the sample. Personal in-store interviews were adopted as a cost-effective means of collecting data and suited in order. This is the suitable method to capture and ensure variables related to the store ambience, attributes and their respective level of satisfaction. Researchers selected one in every five shoppers entering the store. The respondents were not given any incentive and they contributed voluntarily. The interviews were conducted on different days covering all the operating days of a retail store (day to day in a cyclic manner for all the stores) as well as at uniformly distributed time intervals (within two sessions of operating hours: 9:00 am to 15:00 hrs, 16:00 to 21:00 hrs), in order to reduce date and time related response-bias. The field research lasted two months. Finally, 600 questionnaires were filled but 516 questionnaires were usable.

Table I presents the frequencies and percentage of the respondents (customers) divided according to gender, age, monthly and income and shopping frequency. Specifically, the final sample consisted of 234 males (37.1 per cent) and 396 females (62.9 per cent). The respondents have been categorised into four age ranges. All the age categories present an almost balanced distribution. The two major categories within the sample are young students (39.2%) and married working class (53.4%).

Table 1: Demographic variables

Variables	Values	Freq.	Value (%)
Gender	Male	285	57
	Female	315	63
Age	15-25	196	39.2
	26-45	267	53.4
	46-65	25	5
	Above 65	12	2.4
Monthly Income	5000-15000	133	26.6
	15000-25000	235	47
	25000-35000	56	11.2

	35000-45000	44	8.8
	45000+	32	6.4
Frequency of visiting retail stores	Very often	131	26.2
	Often	247	49.4
	Less often	101	20.2
	Seldom	21	4.2

Findings:

The findings show that the majority of mall going people are young and lie in the age group of 25-35 and majority of people have started visiting malls from past 1-2 year for shopping. By using factor analysis the research tried to identify the factors of store ambience contributing to the success of the organised retail in Punjab. Before applying factor analysis it is important to check whether data is adequate for factor analysis or not. For this purpose we used KMO and Barlett test. The value of KMO is .789 and Barlett Sig value is .000 which indicated that data is adequate and there is no identity matrix. Principal component method was used to extract the factors and the number of factors to be retained was on the basis of screeplot and total variance explained. The solution gives four factors which account for 63% of the variance of the total data. The details of the factors and statement are given in table 2.

Table 2

Factor (Varimax Method)	Items loading on each factor	Loadings
Factor 1 Security Measures	Security Guard	.786
	CCTV Cameras	.738
	Antitheft Machine	.715
	Fire extinguisher	.643
Factor 2 Convenience	Escalators	.776
	Bar code billing	.600
	Rest room	.817
	Sitting bench	.894
	Voice offer	.755
Factor 3 Atmosphere	Music	.745
	Lights	.768
	Humidity	.589
	Cleanliness	.704
Factors 4 Structure of the malls	Parking rate	.760
	Design of the store	.680
	Color of the interior	.652
	Showcase	.735

Implication of the research

- 1) Organized retail should start focusing on the physical ambience of the malls as customers are considering these factors while choosing a mall to visit.
- 2) Customers look for a quicker billing process, offer announcements and the kind of music played. So these factors need improvement to attract more customers.
- 3) Customers feel more satisfied after experiencing the positive behavior of the employees of the shopping malls. So the service encounter must be cordial and positive so as to retain the customers.
- 4) Customers are fascinated by the decoration and design of the stores. So malls should come up with innovative designs so as to attract new customers as well.
- 5) Fire extinguishers and antitheft machines assure customers' safety in the mall. Therefore customers can move freely and spend more time which ultimately affects the profit margin of the mall.
- 6) Relaxation (Sitting bench, rest room) and Technology (escalators etc.) also increase the chances of customers to come to the shopping mall as they can experience a sense of comfort in the retail mall.
- 7) Organized retailer also need to focus on customer retention by providing better customer service because customers are easily attracted toward newly opened malls.

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