

CHAPTER TWO

LITERATURE REVIEW

This chapter will provide a brief review of the patronage factors.

2.1 A REVIEW OF PATRONAGE FACTORS

Customer buying behavior starts with a variety of mental forces and activities. These are needs, wants, motives, perceptions, judgments and thoughts. Buying decisions are also influenced by the customers personal values. These values come from three types of influences: cultural, group, and individual. Patronage buying motives are those that cause a customer to buy from one store instead of another. Patronage buying motives may be either rational or emotional.

Lindquist (1974) reviewed 26 empirical and theoretical studies of retail stores selection in order to identify patronage. These factors are merchandise selection or assortment, merchandise quality, pricing, location convenience, merchandise styling and service.

In a survey of four retail sectors: retail food, fast food, do-it yourself, and clothing stores, the following patronage factors were found to be the most important. Locational factors, low prices, assortment of goods, service and quality were found to be important for all the sectors. However, the

relative importance of each factor differs from one retail sector to another. For the retail food stores the factor of locational convenience and low prices were considered most important. In the fast food sector, fast checkout, cleanliness are considered just as important. For the DIY stores the locational convenience and assortment of goods were considered critical. Whereas for clothing stores the factors of variety, quality and value for money were the main determinants chosen.

The factors that generally influence a customer's decision to shop at a certain retail outlet can be broadly group into three categories. These are market determinants, company determinants, personal and product determinants.

Market determinants refer to factors that determine the competitive structure of a trading area and therefore a customer's general shopping options, such as the number or types of outlets for certain category of products. There are three types of market determinants: location, retail structure and product positioning and image. Location refers to the outlet distance, convenient parking, traffic conditions, highway entry and exit locations. Location has been deemed as one of the most important factors that determine the success of a retail store. Retail structure in the trading

area includes department stores, shopping malls, variety shops and supermarkets. Positioning refers to the specific merchandise price-performance combinations offered by a retail outlet to target certain market segments. For example, a store that targets the higher income groups will position itself according to the need of that segment of customers.

Company determinants are those factors which influences and limit a customer's specific shopping options for a given product class. They include merchandising, services, and advertising and promotion. Merchandise is important as a customer's needs or wants can be satisfied by some products and not by others. The outlet that does not carry a certain merchandise that satisfy the customer's needs will be eliminated as a shopping option. In general specialty shops tends to offer more merchandise options but to a specific target segment, whereas general-purpose stores offer fewer merchandise options to the mass market. This results in the co-existence of both types of outlets in the same shopping centres with minimal competition. Service refers to the in-store shopping factors including full service vs. self-service, atmospherics, credit policy, store hours and delivery. It is difficult to generalized on the impact of service in determining a customer's shopping options. Advertising and

promotions comprises the outlet advertising in the mass media, its sales promotions, in-store unadvertised specials, which are all designed to attract customers and motivate them to buy specific merchandise. It does not include corporate image advertising which may have influence general shopping options.

Personal determinants include personal values, social values and epistemic values.

Personal values are a person's ideas and beliefs about what to look for when shopping for products or services. These values may be reflected by the shopper's personality and other traits such as sex, age, race and religion. Social values comprises the normative values imposed by others (friends, relatives) and society while epistemic values include the curiosity, knowledge and other exploratory values possessed by a person.

Product determinants include product typology, usage typology and brand predisposition. Product typology is the classification of products into distinct categories or typologies for which shopping motives are different because they provide different types of utilities. In retailing, this can be classified into convenience, shopping, and specialty goods. Products can be classified as convenience, shopping and specialty goods. Usage

typology refers to the selective situational or social settings in which a particular product class is to be used or consumed. Brand predisposition refers to the preference for a specific brand by a customer.

Shopping needs segmentation provides a description of customers based on their shopping needs, preferences and expectations (Darden 1979). A total of five types of shoppers have been identified based on the shopping needs. The first of these is the quality shopper who makes up 20% of the market. This group of shoppers puts quality and brands before prices. They enjoy shopping and are loyal to a few stores. They are well educated with high incomes. The second group is the price-sensitive nonshopper who consist of 30% of the market. These shoppers are mainly young and middle-aged families of moderate income with two or more children. They are price sensitive and rely on mass merchandisers. They are forced to shop around because of low incomes and consider in-store service to be a low priority. They usually spend a lot of time shopping for bargains. The third group of shoppers are the sociable shoppers (15%). This group wants good in-store service and remains loyal to a few stores. They usually have time to shop. The fourth group is the price sensitive shopper (20%) These buyers are price sensitive but unlike group two they like to shop and are heavy users of mass merchandisers. They are usually younger families and

are not store loyal. The last group is the specialty shoppers (15%) who are intensely loyal and typically shop at specialty shops. Price is usually less important than quality, brands and in-store service. They are usually older couples with good incomes.

2.2 STUDIES ON PATRONAGE BEHAVIOR

A model of store choice was developed by Monroe and Guitinan(1975). In this model the consumer's demographic, life-style, and personality characteristics lead to the development of certain shopping and purchasing needs. These needs establish certain priorities in evaluating store alternatives. The priorities are based on certain store attributes such as convenience, general price level, store personnel, breadth of selection, and attractive decor. An image of a particular store is developed as a result of the consumer's needs and retailer's strategies (retail advertising and in-store stimuli).The closer the store is to consumer's needs, the more positive is the attitude toward the store and the greater is the likelihood that the consumer will shop in the store. Once the store is selected, the consumer evaluates in-store stimuli such as product assortment, prices, displays and partly on this basis, selects a product. If the consumer is

satisfied with the store environment and the products purchased within the store, a positive image of the store is reinforced and leads to the likelihood that the store will be revisited. A continual process of such reinforcement is likely to result in store loyalty.

What are the criteria consumers use in selecting stores? In a study conducted by Kelly and Stephenson (1967), by using a series of forty depth interviews focusing on store patronage motives, a total of eight dimensions were obtained for store choice:

1. General store characteristics (reputation in community, number of stores).
2. Physical characteristics of the store (decor, cleanliness, checkout service).
3. Convenience of reaching the store from the consumer's location (time required, parking).
4. Products offered (variety, dependability, quality).
5. Prices charged by the store (value, special sales).
6. Store personnel (courteous, friendly helpful).
7. Advertising by the store (informative, appealing, believable).
8. Friends' perception of the store (well-known, liked, recommended).

There are numerous studies done on the various factors affecting store patronage. As retailers strive to establish a competitive edge and maximize profits, they use different positioning strategies to differentiate themselves from competitors (Bawa, Landwehr and Krishna 1989). As a consequence of these different positioning strategies, retailers often differ in the marketing environment—that is, in the configuration of price, product, and promotional stimuli to which consumers are exposed to in the store. For example, the marketing environment in a “low price” supermarket may differ substantially, in terms of prices as well as promotional activity, from that of a full service department store. The range of products stocked may also vary from one outlet to another. These positioning strategies are likely to influence consumers in a number of ways. First, the different in-store marketing environments can create different expectations and frames of reference for shoppers and thus might influence many aspects of consumer behavior, such as brand loyalty, deal proneness, and price sensitivity. Second, stores with different marketing environments may attract customers with different demographic characteristics. For example, retailers who stress quality over price or provide one-stop shopping convenience may expect to attract a different type of customer than retailers who compete mainly on price. Retailers need to understand how consumers respond to different marketing environments. An understanding

of consumer response could enable a retailer to influence in-store purchasing behavior and compete more effectively with other retailers. The results of this study indicates that customers exposed to different environments exhibit significant differences in their brand loyalty, promotion sensitivity, price sensitivity, and response to new brands.

The model of store choice suggests that store loyalty could be develop if the image of a store conforms to consumer priorities. The customer emphasizing convenience above all else is likely to be loyal to the closest store. The shopper who enjoys personalized relationships is most likely to become loyal to the store in which he or she feels at home with the sales personnel. It is profitable for retailers to attract store-loyal customers. In a study on store loyalty (Enis and Paul 1970), it was found that stores with a larger share of loyal customers tend to be more profitable because they attract a larger share of consumer expenditures. In addition, loyal customers are no more costly to serve than nonloyal ones. This profitability of attracting store-loyal buyers has led to several attempts to identify the personal characteristics of customers who do most of their shopping in the same store. It was also found that store-loyal customers tend to be brand loyal. It is possible that consumers who wish to reduce the time and effort in brand selection also seek to minimize time and effort

in store selection. Another possibility is that shopping in the same stores foster loyalty for brands carried by that store, particularly retailer-controlled (private) brands.

A relationship of life-style characteristics to store loyalty was also found (Reynolds, Darden and Martin 1974). In this study, they identified store loyalty by the willingness of a sample of women to shop in the same stores and to avoid the risk of shopping in new stores. They found that the store-loyal woman tends to be older and more downscale than one who is not loyal. She is less likely to be venturesome, gregarious and, an opinion leader, and urban oriented.

Location is also an important determinant of store choice. In a study that was conducted in four nations over a seven-year period (Arnold, Oum and Tigert 1983) supported strongly the location factor. In this study it was observed that convenience of location and prices charged were consistently the most important determinant of store choice.

The influence of store environment on shopping behavior has also been recognized by retailers. Store atmosphere has been defined as including store image and other in-store variables such as aisle width, brightness and

crowding. In a study (Donovan and Rossiter 1982) shopping was frequently viewed as a pleasurable task associated with the enjoyment of the store environment, exploring the store's offerings, talking to sales personnel and spending money.