

Apparel Retail Outlet Selection: Influence Of Service Levels In Goa

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INTRODUCTION

Goods and services are produced to satisfy the demands of the customers. While services are produced and consumed, simultaneously, goods, once produced, are made available to the end customers by distribution channels. The distribution channel is chosen depending on the product, distance and type of market served.

A Retailer is a person who actually delivers goods/services to the end customer. The role of the retailers has been of a great importance as they buy in large quantities and sell in smaller quantities. Retailers make profits from small buyers for the services rendered. The vegetable vendor, milk man, newspaper delivery boys, etc. are all retailers. The word Retailing is derived from a French word 'Retaillier' which was used during the thirteenth century in tailoring, meaning "Clipping off, dividing"¹. As per the records, usage of the word in its present meaning happened in the year 1433². The population directly influences the overall level of consumption, and the economic conditions decide how people earn and spend³. Thus, development of the retail sector is driven by demography, economic conditions and evolution of technology.

Today, the size of the retail business has even attracted many corporates to form organized retail sector. The retailers have given birth to various retail formats, in both food and non food categories based on location, size, merchandise, price and level of service offered.

Technology has a major say in production and distribution of goods and services. The demarcation between suppliers and retailers is becoming blurred. Now, the experts from the field are discussing about the Value chains and E-supply chains and not about Retail chains. The conventional retailers are experiencing competitive pressure from other forms of retailing like Knocks (Home delivery services), Clicks (Online retailing) and Rings (Call Centers). Many virtual stores have been set up on the web, which serve a large number of customers.

Today, retailing has been extended by machines. In many places, Kiosks have replaced customer care executives, and vending machines have replaced small shops. Many efforts are on the way to build smart shops, taking advantage of both man and the machine.

REVIEW OF LITERATURE

✿ Moore and Carpenter (2006) conducted a study on the effect of customer price attributes on retail format choice across a variety of store types in the US. The Apparel category, which offers a variety of formats, was chosen for the study and a telephonic survey was used to investigate the respondents' perceptions about price and format choice across seven different types of retail formats. They concluded that price does affect the choice of format. They say that price consciousness and sale proneness positively influence patronage of retail formats that implement low cost strategies, while prestige sensitivity and price/quality schema influences positive patronage of retail formats, implementing higher price strategies. They emphasized that US retail markets should capitalize on this price policy advantage as part of their strategic planning.

✿ Deb and Sinha (2007), attempted to develop a model to measure service quality by the relationship between service quality and customers' commitment to retain a relationship. They focused on price, brand name, store name and levels

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¹ Dictionnaire de l'Académie française, huitième édition (1932-1935)

² <http://en.wikipedia.org/wiki/Retailer>

³ <http://en.wikipedia.org/wiki/Sustainability>

of advertising and collected data from 350 malls via questionnaire. The model is relevant for marketers as a tool to quantify their performance.

✿Paromita Goswami (2007) conducted a study on how college students in urban areas shopped for apparels. The factors investigated for the study were psychological variables, store-choice variables and interpersonal influence. She concluded that college students were brand conscious and needed variety and best quality for their apparel purchase. Furthermore, parents influenced their purchase behavior the most, followed by peer store approval, friends' influence and peer product influence.

✿Sinha and Kar (2007) investigated modern retail developments and growth of modern formats in India. They also analyzed the challenges and opportunities available to the retailers to succeed in India and concluded that retailers need to innovate in designing the value proposition, deciding the format to deliver to the consumer and also strive to serve the consumer better, faster and at less cost.

✿Reynolds et al. (2007) explored the four features of recent format change in the UK that provide the basis for distinctive business models. They concluded that while existing models of retail format change can risk oversimplifying and formalizing experimental, incremental and often accidental processes, they can also help in understanding of the longer-term trends in UK retail formats. They emphasize that the evolution of retail formats, together with the retail business models are of great interest to its consumers, developers and investors. Their findings showed that innovation is an important source of diversity and renewal for urban and suburban spaces.

✿Hafedh Ibrahim (2008) developed an empirical model to quantify loyalty to retail stores in terms of factors like relationship bonding tactics, social self-image congruity, customer's relationship orientation, relationship satisfaction, trust, relational commitment. He used relationship duration as the controllable variable in the marketing system. He concluded that relationship bonding tactics and psychological traits lead to a higher relationship satisfaction, which in turn positively impacts trust that leads to commitment and ultimately to loyalty.

✿Sonia (2008) conducted a study on customers' perception towards Mega Marts in Ludhiana. The author highlighted that customers preferred a particular mega mart due to its convenience in terms of space, product range, billing system, multiple choice, etc., and location at an easy approach and safety. She found that in Ludhiana, customers are generally not satisfied with the safety measures and parking facilities at mega marts. She also found that the mega marts are useful for customers as a place to shop and a place to compare prices and quality of similar product of various brands. She concluded that customers preferred cash discount offers, followed by free gifts and financing facility. Quality and discount were the most important factors in influencing customers' decision to purchase.

✿Sunayna Khurana (2008) examined the differences in consumers' expectations and perceptions for service quality they received while shopping at various retail stores in Haryana. She also considered consumer demographic characteristics for the study. Statistically, she identified five prime factors for service quality viz. physical aspects, reliability, personal interaction, problem-solving, and policy. Her study concluded that a wide disparity existed between expectations and perceptions for personal attention and policy factor.

NEED FOR THE STUDY

The Retail industry is the largest contributor to India's GDP. Many competent agencies speculate that the Indian retail market size is \$180 billion currency wise and employs 15% of the adults⁴. There are nearly 12 million retail outlets spread throughout India, occupying an average space between 50 sq ft to 50,000 sq ft plus. Out of this, the lion's share goes to the rural areas, where two-thirds of the stores are located (Mohan *et al.* 2008).

There are many theories put forth by scholars to explain evolution of retail formats. The **retail accordion theory** put forward by Hower (1943) stated that over a period of time, retailers change their merchandise mix, keeping prices and margins same. The retailers swing between specialization and diversification. McNair in 1958 proposed the wheel of retailing to explain the post war US retail sector, which explains the patterns of competitive development and change in the industry. The phenomenon of reduction of retail outlets between 1971 and 1980 was explained by **polarization theory**. This theory upheld the view that the larger players kicked all medium and small firms out of the business. The

⁴ <http://www.scribd.com/doc/469189/Doing-Business-In-India-A-Country-Commercial-Guide-for-U-S-Companies> accessed on 16th November, 2009

present scenario is well explained by the **melting pot theory** proposed by Lusch et al., 1993, which believes that competition reduces the scope for differentiation. As a result, retailers started developing better and different formats to satisfy the customers. In the present scenario, knowledge about the role of quality, variety, style, brand, service and price with respect to merchandise mix and secondary factors like ambience, parking space, personal assistance, sitting lounge, loyalty program and home delivery, help retailers enhance the service levels and gain an upper hand in competition. Hence, this study was conducted.

RATIONALE FOR SELECTION OF GEOGRAPHICAL AREA

The state of Goa is a world known tourist destination with diverse customers from the country and abroad. The youth of Goa lives in both urban and rural areas and are open to new fashions. They are well aware of the trends across the world, since they have many relatives working abroad and they themselves live in a tourist destination. Furthermore, Goa is one of the richest states in India based on per capita income. Hence, it was thought an ideal place for the research. The objectives of the study are as follows :

1. To study whether the preference for shopping destinations varies across the major cities of Goa.
2. To study whether the customers of a particular city preferred branded products.
3. To know whether the customer preference for retail formats varied across the major cities of Goa.
4. To know whether the merchandise at various outlets varied across the major cities of Goa.
5. To know whether the service levels varied across the outlets for cities.
6. To know whether the amount was spent differently across cities at various outlets.
7. To know whether the buying frequency varied across the major cities of Goa.

FORMULATION OF THE HYPOTHESES

The above objectives were formulated into following hypotheses for statistical analysis.

1. There is no preference for any city for shopping.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

2. Preference for branded products does not change across the cities.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

3. The preference for retail outlets does not vary across the cities.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

4. Customers across the cities do not perceive any difference in merchandise for a particular format.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

5. Customers across the cities do not perceive any difference in service levels across the formats.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

6. The amount spent across the Formats does not vary.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

7. Buying frequency across the cities does not vary.

$$H_o : R_p = R_{mar} = R_m \quad H_1 : R_p \neq R_{mar} \neq R_m$$

Where, R_p ranking was given for Panjim, R_{mar} ranking given for Margao and R_m ranking for Mapusa.

METHODOLOGY

This study made extensive use of both primary and secondary data. The sources of secondary data were magazines, journals, books, newspapers and websites. The above objectives were based on the preliminary literature review.

The primary data was collected from the field. It was believed that the sample would represent the population of India as the state has a heterogeneous mix of cultures. The sampling frame included the people of Goa above 18 years of age. After the primary survey, the questionnaires were executed across the state. Sample size of 400 was taken up for the study. The clustered sampling method was used and clusters for the study were identified as Panjim, Margao and

Mapusa. The study was conducted between October and December 2009.

The data was further tabulated, and Kendall's Coefficient Of Concordance (W) was calculated. Kendall's coefficient of concordance was preferred over other statistical tests, as it does not assume any distribution. W is used to test whether the customers from different cities used the same standards while ranking the merchandise and services across the retail formats. Kendall's coefficient of concordance was calculated using the below formula :

$$W = \frac{S}{1/12k^2(N^3 - N) - k \sum T}$$

Where,

W= Kendall's Coefficient of concordance, which ranges between zero and one.

K= Number of cities for our study.

N= Number of variables considered for merchandise and services.

$S = \sum (R - R)^2$

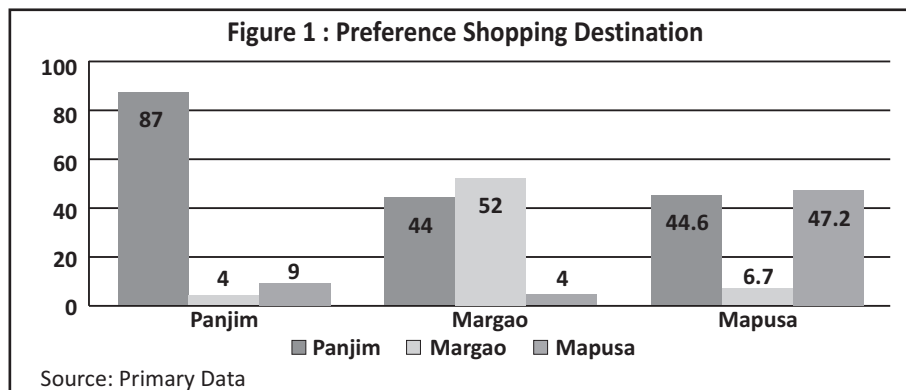
R = Sum of ranks for a variable.

FINDINGS AND ANALYSIS

1) Demographic Profile Of The Respondents: The demographic profile, summarized in Table No. 1 of the respondents, was heterogeneous.

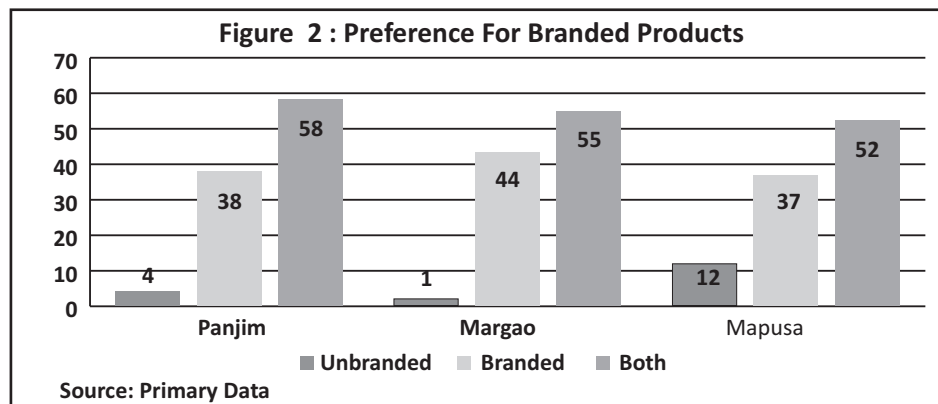
Table 1 : Demographic Profile Of Respondents			
	Panjim	Margao	Mapusa
Age (Yrs)			
Mean	33	27	29
Mode	21	18	20
Gender (%)			
Male	61	55	63
Female	39	45	37
Marital status(%)			
Married	50	67	39
Single	50	33	61
Source: Primary Data			

The Average age of the respondents was 31 yrs. Even though there was a difference in average ages across the cities, most of the respondents were below 21 years of age. Respondents from Margao were the youngest. Across Goa, 60 % of the respondents were men. In only the city of Margao, both men and women equally participated in the survey and expressed their views, unlike the other two cities, where predominantly, only men participated and expressed their views in the survey.

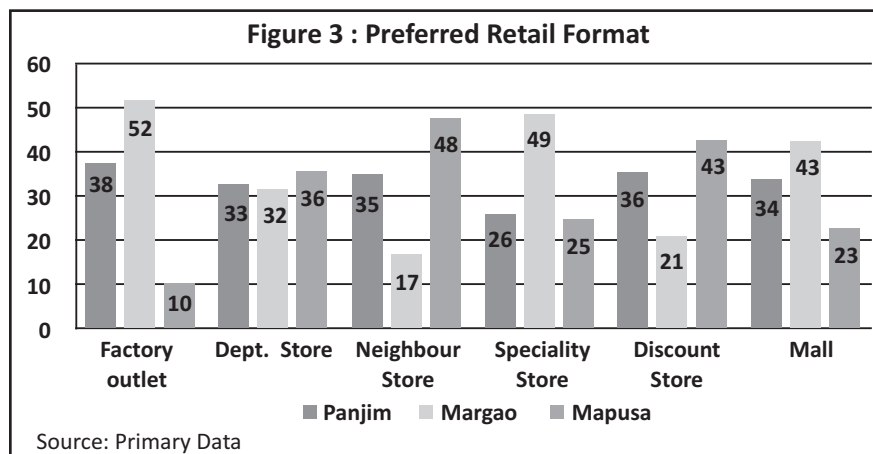


Out of the total respondents, 85% were locals, 10% were migrants settled in Goa and others were temporary residents. In Margao, most of the respondents were migrants settled in Goa. In Panjim, the capital of Goa, residents were mostly metropolitan, whereas, Mapusa represented semi - urban population and Margao has much influence of Portuguese culture.

2) Preference For Shopping Destinations : Most of the customers shopped for apparels in their respective cities. However, many preferred to shop in Panjim, as it is well connected to the rest of the cities in Goa. Furthermore, Panjim is located in the center of the state, and average distance from any city around the state is approximately 30 kms. Whereas, other cities like Margao and Mapusa are not very well connected with each other. This is a classic example of Reilly's Law, which states that majority of the customers visit that location where they get more merchandise and facilities, irrespective of the distance. The above findings were tested using Kendall's coefficient of concordance (W), to know whether there was any agreement between the customers from three cities. The value of $W = 0.11$ indicated that there was no most preferred city for shopping. Thus, Null hypothesis was accepted.

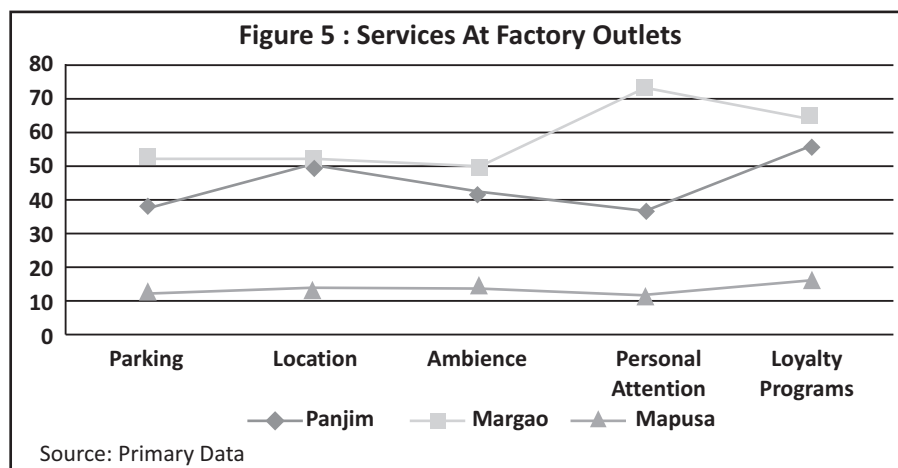
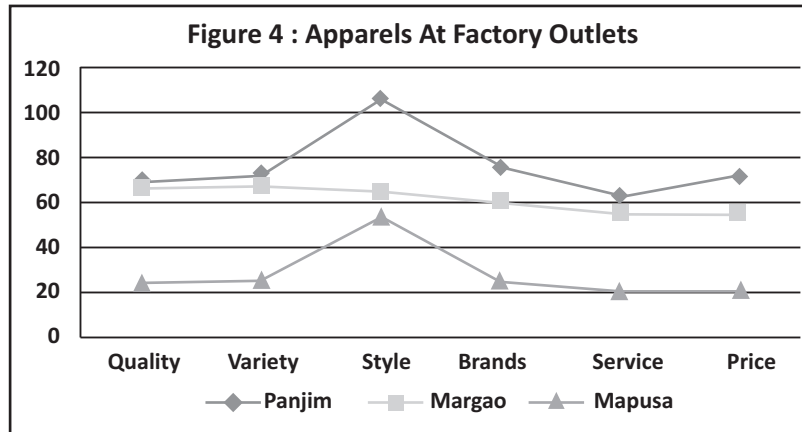


3) Preference For Branded Products : Across Goa, less than 5% of the respondents preferred unbranded products. Whereas in Mapusa, above 10 percent preferred unbranded products, whereas in Margao, it was as low as one percent. The respondents from Margao were the youngest and preferred branded products over unbranded products and spent more on apparels. It was observed that those who preferred branded products spent more on apparels per year than those who preferred unbranded or both. Many of the respondents above 30 yrs. of age preferred unbranded products. Further, the findings were tested using Kendall's Coefficient of concordance to know whether preference for branded, unbranded or both were same. The value of $W = 0.11$, thus Null hypothesis was accepted, and it was concluded that there is no equal preference for branded products across the cities. The preference for apparels changed across the cities.

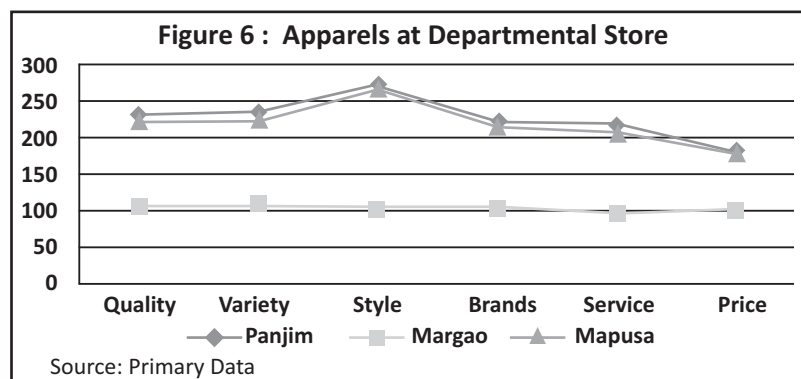


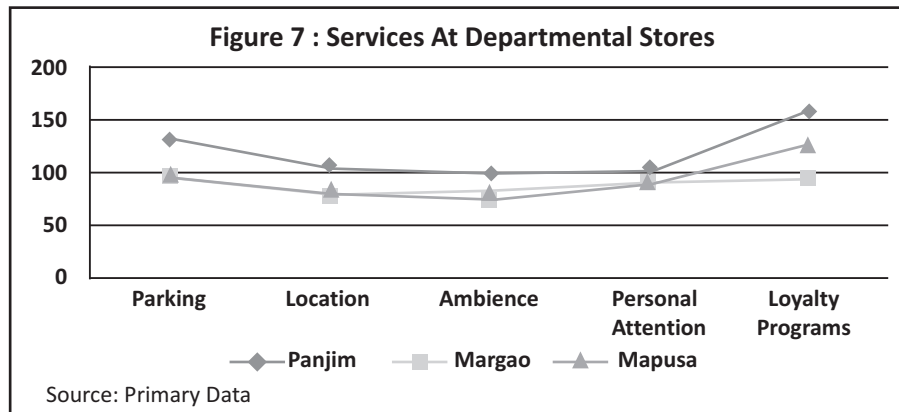
4) The Preference For Various Retail Formats : Respondents from Panjim preferred factory outlets followed by

Discount stores. The findings once again proved that respondents from Margao preferred Branded apparels, as most of them rated factory outlet followed by Specialty stores as their favorites. Comparatively, very few respondents from Mapusa rated Factory outlet as their favorite, as the existing few factory outlets were either very far away from the city, or because many did not prefer branded apparels. There was no agreement among the respondents from different cities about the preferred formats for purchase apparels ($W=0.15$ and $S= 15.5$). This upholds the fact that all the three cities within the state are entirely different markets with their own preferences. Further analysis was done with respect to all of the retail formats to know whether the merchandise offered, and service levels across cities were same.

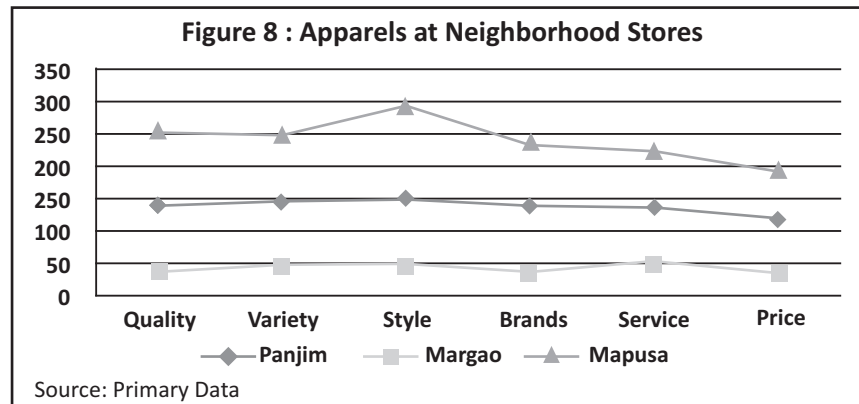


5) Factory Outlets : Factory outlets were most preferred by respondents from Margao followed by Panjim (Figure 3). Respondents across the cities agreed that factory outlets offered better style, brand and availability of brands was reasonable ($W = 0.72$ and $S= 111.5$). However, rankings suggested that service, price and quality of the merchandise

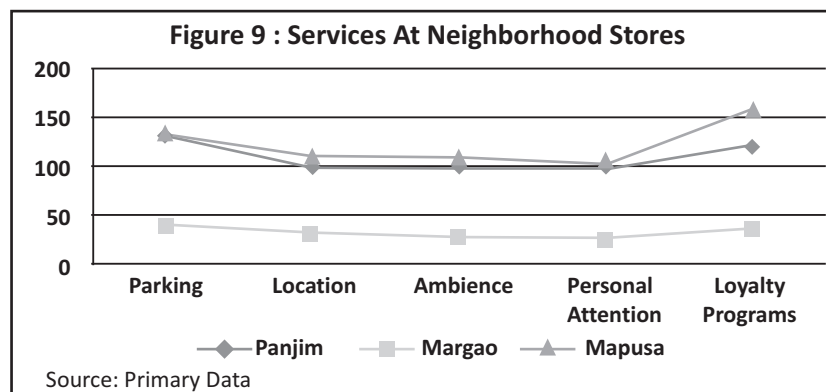


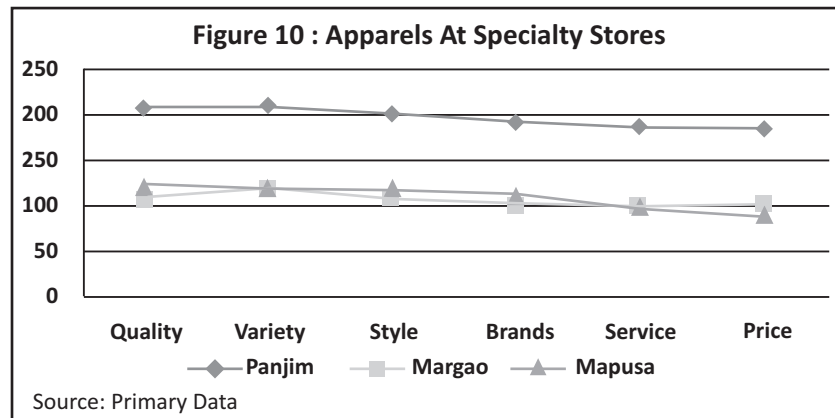


were not so good. The respondents from Margao were the most satisfied with respect to personal attention at Factory outlets. Whereas, respondents from Panjim were satisfied with ambience and loyalty programs. The interesting observation is that the customers from both the cities - Panjim and Margao gave similar ranking to the location factor, whereas customers from Mapusa did not prefer factory outlets, as there were no such outlets in and around Mapusa. They had to travel a long distance to purchase from factory outlets. The customers from all the three cities had different views about the services offered in factory outlets ($W=0.36$, $S=30.5$).

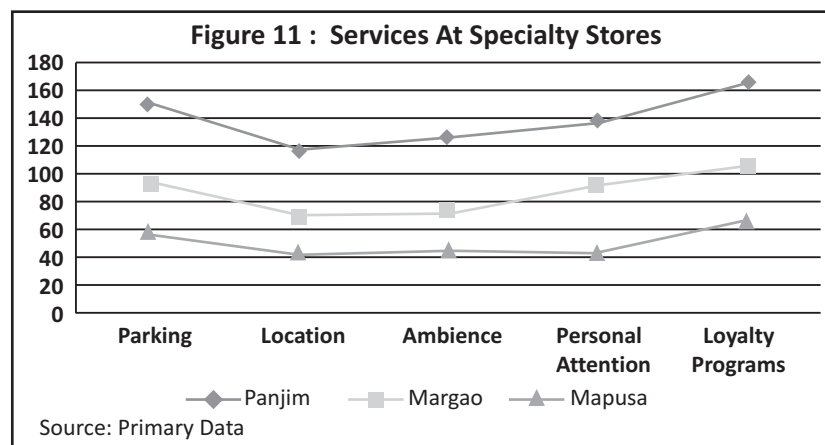


6) Departmental Stores: Departmental stores enjoy almost the same popularity across Panjim and Mapusa. The respondents were happy with the available variety followed by style and quality. However, they were not happy with the price and services. The respondents from Margao did not prefer departmental stores as there were few such stores in their city. However, the respondents across the cities used the same standards to evaluate departmental stores ($W=0.68$ and $S=107$). The high value of $W=0.75$ and $S=65.5$ indicates that there is a high degree of similarity in the respondents' ranking of services offered by departmental stores across the cities. The respondents felt that all the



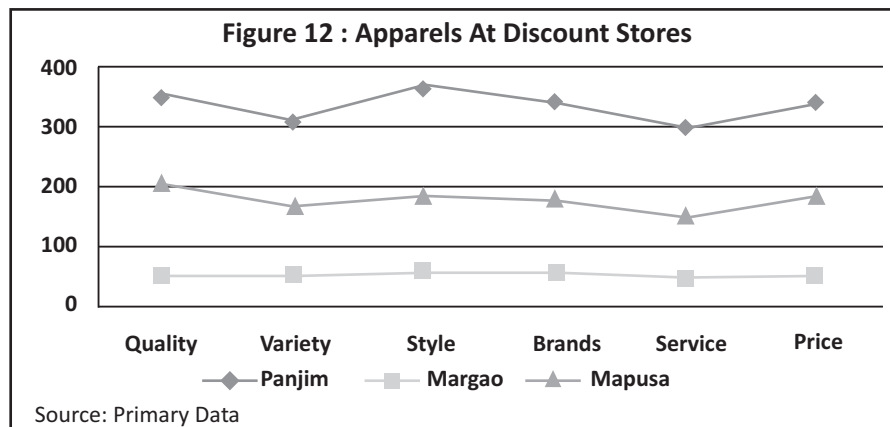


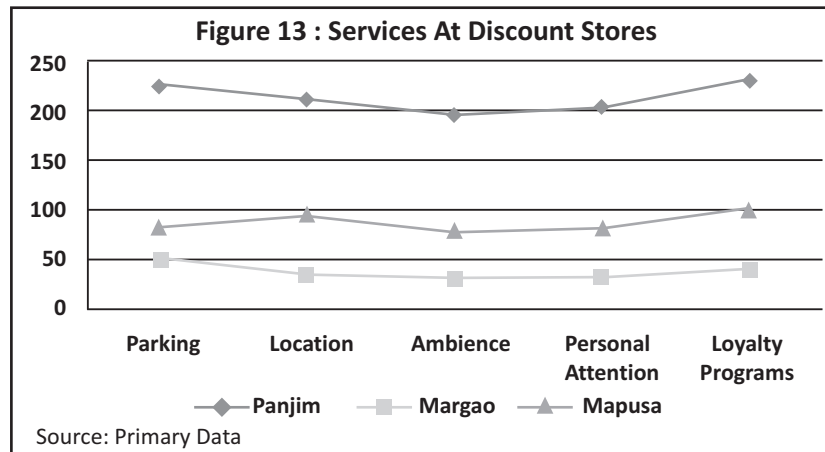
departmental stores provided excellent loyalty programs and parking space, but ambience and location of departmental stores were of concern to the customers.



7) Neighborhood Stores : The preference for neighborhood stores varied across the cities ($W=0.113$). Neighborhood stores were most popular in Mapusa followed by Panjim. Respondents from Panjim and Margao preferred neighborhood stores because of price, but the more demanding respondents from Mapusa were not happy with prices. The respondent ratings for services at neighborhood stores in Panjim and Mapusa were almost the same, except for loyalty programs. Respondents from Mapusa rated loyalty programs the highest and respondents from Margao did not like services of neighborhood stores.

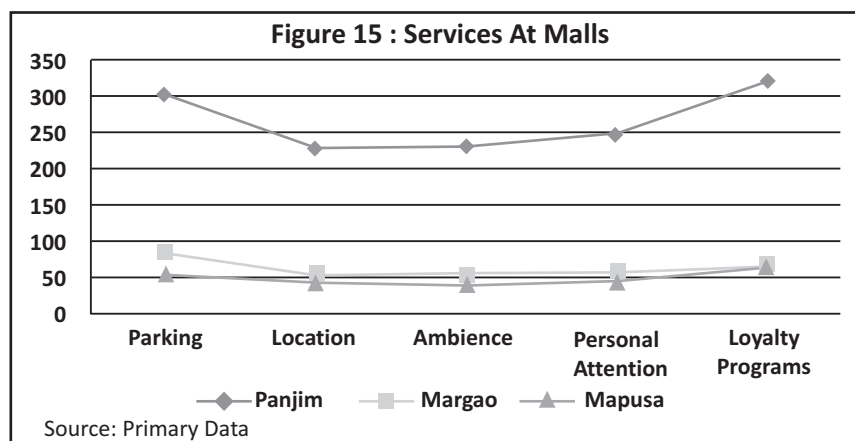
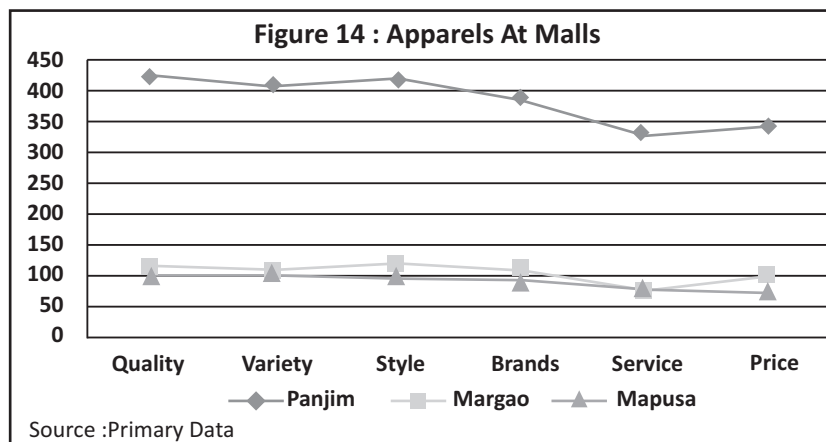
Overall, all the respondents expressed their agreement with respect to various services offered by neighborhood stores





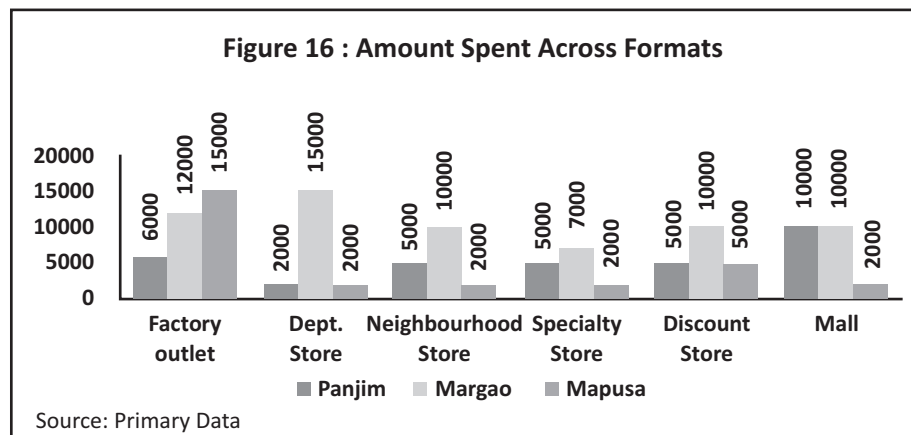
($W=0.83$ and $S=71$). This finding was contradictory to our presumption that the views of the respondents should vary as neighborhood stores are more in numbers and the services offered by them vary considerably.

8) Specialty Stores : Specialty stores were perceived almost in the same way everywhere in Goa ($W=0.64$ and $S=98.5$). This could be due to the reason that most of the specialty stores are run by company franchises, and all the stores receive the same kind of merchandise. Respondents were happy with variety and quality of the apparels, but expressed concern with respect to style. They were also not happy with pricing and service.

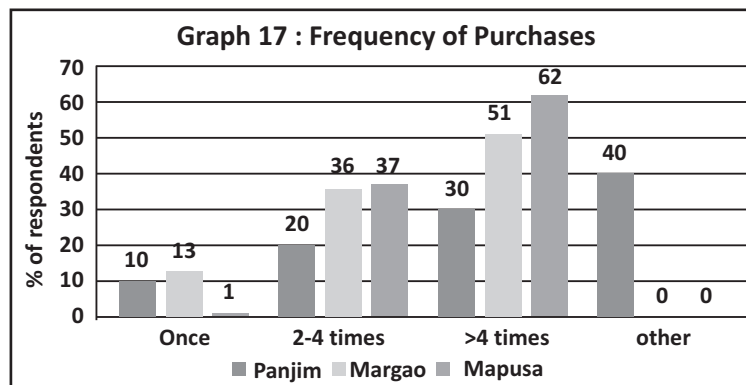


All the specialty stores offered the same level of services across the cities as indicated by $W=0.73$ and $S=66$. But, respondents perceived the service levels differently. Respondents from Panjim were the most satisfied. Specialty

stores provided their respondents better parking space and loyalty programs but, failed in providing personal attention and ambience.



9) Discount Stores : Discount stores were more popular in Panjim followed by Mapusa and Margao. Most of the customers from Goa agreed that the availability of quality and brands are good, but they are not happy about service and variety of apparels ($S=110.8$). There are very few discount stores across Goa and Lootmart is the only chain present in all the cities. The respondents are happy with the Loyalty programs and parking space, but they felt the need for improvement with respect to ambience and personal assistance ($W=0.84$ and $S=74.5$).



10) Malls : Based on the high values of $W=0.98$, $S=157.5$, the null hypothesis was rejected even though there are many departmental stores and not a single mall. All the respondents across the cities agreed to the point that malls offered better style, quality, variety and brands. Furthermore, they felt that service levels in the malls are usually low, whereas the charges are higher. The respondents from all the three cities rated the services at malls similarly ($W=0.92$ and $S=80.5$). They all felt that malls have better loyalty programs and also felt that they provide good parking space. They felt that malls should be located in a better location and should provide a better ambience.

11) Buying Frequency and Amount Spent : The amount spent by respondents at various formats across the cities was different ($W=0.64$, $S=52.5$). Respondents from Margao spent maximum amount for apparels followed by Panjim. Factory outlets were the most popular destinations for purchases, followed by discount stores. Respondents from Panjim and Margao preferred Malls. Most of the respondents across Goa preferred to buy apparels more than four times in a year. Only respondents from Panjim preferred buying from exhibitions and purchased apparels more than four times annually, and also spent the maximum among the three cities per purchase. In comparison to Panjim, respondents from Margao spent more on buying only once a year and from Mapusa, they bought 2-4 times a year.

CONCLUSION

The study has shown that most of the respondents stick to their respective cities for apparel shopping. But Panjim emerged as the most preferred shopping destination across the cities as it was well connected to other cities. Across the cities, branded and unbranded products were equally preferred. Since respondents from every city had individual preferences concerning retail formats, no consensus could be reached on preference for retail formats. It was found that there was a significant difference between the selected retail formats with respect to merchandise, and services offered. Malls and Discount stores attracted many customers. However, customers did not find any difference in quality, variety, style, brand, service and prices offered by a particular type of outlet. This was even true for service factors like ambience, parking space, personal assistance, sitting lounge, loyalty program and home delivery in the choice of retail outlets by shoppers across the three major cities of Goa.

Respondents also felt that there was a need for improvement in various factors like ambience, location, pricing, style, etc. for each retail format. Furthermore, they expressed that there was a need for better pricing, availability of more brands and enhanced apparel service like the appointment of trained personnel. Hence, there is a wide scope for retailers to experiment with new retail formats, which would combine the benefits of customization with large-scale manufacturing and distribution. Also, services like parking lots for shoppers in the outlets for Goan shoppers would be an icing on the cake as parking is a big problem in the State in all cities.

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