



## SHOPPING EXPERIENCE AND LOYALTY PROGRAMS AT HYPERMARKETS

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### **Abstract**

*This paper, based on doctoral-level research work, highlights the inter-relationships between shopping experience, loyalty programs, brand equity, loyalty intentions and customer loyalty. The same has been studied in retail hypermarket setting in Tamilnadu. Conceptual framework was tested to ascertain causal relations.*

**Keywords:** *Shopping experience, Loyalty program, Customer Loyalty, Hypermarkets.*

### **1. Introduction**

India is one of the fastest growing retail markets in the world. Retail industry is expected to grow to US\$ 1.3 trillion by 2020, registering a CAGR of 9.7 per cent between 2000-2020. The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space. Organised retail stands at 8% as compared to unorganised retail in India (IBEF, 2016).

A hypermarket is a super store combining a supermarket and a department store. The result is an expansive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine shopping needs in one trip spread over a square feet area between 1 and 2 lakhs square feet.

The concept of hypermarkets was pioneered by the Fred Meyer chain, when it opened the foremost hypermarket in 1931 in Portland, Oregon, which is now part of Kroger, the largest grocery store chain in the US. However, the history of the hypermarket is usually traced to the early 1960s when two similar prototypes for the later hypermarket design came forward. A superstore namely Thrifty Acres opened in Michigan in the United States and in a year, the European retailer Carrefour opened a hypermarket in France. While the retail form worked well, the general format did not commence to take off until the second part of the 1980s, when big retailers in the United Kingdom and the United States developed their own hypermarket formats, and began to build such stores in more areas. The first hypermarket in the UK was opened by Tesco in 1976.

Apparently today it is considered to be one of the most convenient of all big-box store designs, with retail chains in just about every country of the world utilizing this retail model. The world's largest chain of hypermarkets today is Wal-Mart, followed by Carrefour of France whereas Big Bazaar of Future Group is the largest hypermarket chain in India.

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## **2. Research Gaps**

Research that has focused on customer loyalty has been primarily undertaken in financial services. Research on this topic in retail sector has been negligible and limited to supermarkets or smaller retail formats. There has not been any study on loyalty programs in hypermarkets, which are the most favoured and currently fast growing retail format in India. Also, research integrating shopping experience, loyalty programs, brand equity and loyalty intentions has been scarce in India irrespective of type of service. This research aims to alleviate such gaps

## **3. Review of Literature**

Tabeck (2014) conducted seminal work to corroborate the underlying reasons for customers purchasing in hypermarkets. First of all, these are the one-stop shopping solutions for the wants and secondly, ease of use of product assortment. The important factors influencing the procurement from hypermarkets are high-value products, information isolation, truthful staff and ease of finding the products. It was also found that knowledge of consumer behaviour frankly involves marketing strategy. It was found that diverse sections of shoppers and diverse retail formats serve these different parts of shoppers to make diverse knowledge. Customers have changed and that the most remarkable change is in their support of food retail openings other than hypermarkets.

Musasa (2014) determined the persuasion of customer service on purchasing behaviour of customers at hypermarkets in the better area of Durban. The research covered various aspects pertinent to customer service and buying behaviour. Customer service is important to the achievement of hypermarkets in satisfying customers and keeping them. Current tremendously aggressive retail environment dictates brilliant customer service to remain aggressive. Ever-changing customer commands of today compels hypermarkets to incessantly review and streamline customer service strategies to convene and surpass these demands and stay victorious. Supermarkets should accomplish reviews and attach more importance to customers. They should keep in touch with customers' changing needs.

Lawless (2014) investigated the issues of what sorts of emotional challenges hypermarket cashiers experience consequently of maltreatment from their customers, how do they direct to cope with these confronts, and whether there are any distinctions in confronts or coping strategies between younger and older tellers, and those with less or more work experience. Performing service work in any background needs the vigilant balance of meeting both the customers' and the employers' wants while, simultaneously, maintaining one's capability to carry out work efficiently. Cashiers face several challenges each day at work counting long hours of standing, work shifts that continually change, a large volume of customers, comparatively low pay, and observation by customers and their employers.

Tulipa et al. (2014) examined the store surroundings such as physical amenities, display of manufactured goods and point of buy that could pressure poignant responses and repurchase intention. Physical amenities are measured to be able to create pleasure, display of manufactured goods and point of acquisition are measured to be competent to evoke positive sentiments of consumers. It is interesting to remind that positive sensations did not honestly influence repeat purchase intention. Conversely, positive sentiments directly influenced repeat purchase intent with pleasure as the mediating factor. Logically emotions only stay provisional in a person in moderately short time period, while purpose is stored in memory which can turn



to deed at any right time. Customers with optimistic sentiment will give a positive assessment to the store impression. Consumers will be pleased and they have an intention to come back to the store and formulate a purchase of the goods at the store.

Rahmawati & Do (2014) pointed out that shopping inspiration was statistically significant and can augment purchase intention. Loyalty program can influence separately on purchase intention. Shopping inspiration and loyalty program may be the good amalgamation of marketing plan to increase purchase intent in retail format. Loyalty programs can power buying intention. The efficiency of loyalty programs depends on the program's plan that can draw and get better consumer shopping inspiration. Loyalty programs are perhaps the only marketing attempt which intentionally focuses on bringing about such transformation.

Rahman & Jalil (2014) examined the factors that influence consumers' loyalty towards hypermarkets. Service quality, product excellence and price plan have positive effect on customer loyalty. Price plan was highly important with consumers' loyalty in Malaysian supermarkets. Failing to meet consumer's faithfulness is not an necessary option for any supermarket companies.

Rahman et al. (2014) focussed on assessing customers' loyalty through contentment towards retail marketing plan in hypermarkets. The consequences determined that pricing, quality service and quality product have noteworthy association with customer happiness, and customer satisfaction has express optimistic impact on customer loyalty. Pricing has straight significant association with customer loyalty while quality product did not found direct significant connection with customer loyalty. Finally, location is also significant build that is established to important association between customer contentment and customer faithfulness. Five aspects, namely, transport, car parking amenities, convenient ATM service, housing area and playing field for children are the most significant for developing customer happiness and building customer loyalty in the retail business production in hypermarkets.

Rahman (2014) aimed to assess the retail customer loyalty from supermarkets and set out to establish what manipulates customers to shop permanently. Customers desire hypermarket to conventional markets for their elemental grocery wants as a supermarket not only presents foods but also contemporary household equipment and appliances for the shoppers or households. Some of the retail stores lack on service quality, product quality, price policy in addition to customer contentment. Customer loyalty needs to be an improvement strategic tool. Consumer service quality, product quality, price scheme, store characteristics and customer contentment have to remain spirited.

Matthews et al. (2014) endeavoured to recognise and measure the antecedents of brand loyalty from the standpoint of cognitive, affective, and conative theorisation of consumer loyalty. Brand consciousness, brand picture; brand perceived quality, brand disturbing value, and brand contentment as antecedents of brand loyalty were measured. Brand consciousness did not have an optimistic impact on brand satisfaction. Thus, a connection between brand alertness and brand contentment is yet to be established. Lack of relationship between brand consciousness and brand poignant value was pointed out. Even if a retailer carries a brand with high consciousness, that brand will not essentially appeal to an emotional value in the consumer. Consequently, it was suggested that retailers should believe stocking more than just renowned brands, and ensure that the brands they take meet the practical requirements of their consumers.

Ebeid (2013) aimed to examine the possible connection between brand promotion (built on its antecedents) and brand fondness. Brand faithfulness, value awareness, store loyalty, and smart customer self-perception augment the attitude towards brand support. Brand promotion augments the consumers' brand fondness. Use of endorsements on the basis of their ancestors namely, brand loyalty, value awareness, store loyalty, and smart customer self-perception would improve brand preference. Brand promotion had a unenthusiastic effect on brand preference.

Chen & Hsieh (2010) explored the association among brand equity, brand association and repurchase performances. Brand fairness was used as an independent variable to examine the connection between brand associations and repurchase behaviours, taking the customers of the top three chain store supermarkets. Consumer's societal and economic backgrounds will control the repurchase intent on chain store hypermarkets; the higher the brand icon of a chain store supermarket is, the higher the consumer's repurchase target will be; the higher the consumer professed quality and perceived value of chain store hypermarket are, the higher the repurchase intention will be. Professed quality will persuade consumer repurchase aims on chain store hypermarket, thus hypermarkets should pay more concentration to quality development as well as advertising low prices.

Mwangi (2014) attempted to inspect the connection between service quality dimensions and customer loyalty and the implication of each dimension in predicting customer loyalty among the hypermarkets. Tangibility, reliability, empathy, responsiveness and assurance are absolutely linked with customer loyalty. Reliability was found to be the most important forecaster of customer loyalty and responsiveness was found to have the slightest forecast power when the dimensions were analysed separately. However, tangibility was found to have the uppermost significance in predicting customer loyalty when all the measurements were analysed together; while responsiveness was the least important. Most customers intended to advocate their close connects to shop in that supermarket. Fascinatingly, customers did not concur that they will not shift to contestants with better prices and will not protest to outside parties in case of a difficulty with the supermarket.

Lavorata (2014) proposed a device for evaluating retailers' promise to sustainable expansion as perceived by consumers. Consumers, thus anticipated tangible evidence of retailers' social promise, and, as stakeholders, they could participate in the development of retailers' sustainable development practices. Retailers need to be more attentive regarding their sustainable growth actions and to take into account the reality that consumers might at some point choose to put force on them.

Ivanauskiene & Volungenaite (2014) investigated the association between service quality and customer loyalty across three budding countries. Five retail service quality dimensions explicitly, personal dealings, physical features, dependability, policy and product excellence, can be recognised in the researched market. Three measurements of service quality, that is, personal communication, policy, and product quality have an optimistic impact on customer faithfulness across family retail markets. Household retail sector buyers rate the behaviour of workers and personal interest as very important. Consequently, retail market executives should place exceptional efforts on those particular features of retail service quality.

Afande & John (2014) examined the factors influencing customer loyalty of supermarkets and price differentiations in supermarkets. Supermarkets have factors that influence the loyalty of their consumers who shop at their stores. Price is one of the factors that the hypermarkets face as diverse supermarkets had different pricing strategies. Secondly, the changing customer predicaments. Supermarket proprietors are unsure of the customer's repeated change of preferences. Client loyalty of supermarkets is influenced by the rigid competition among the supermarkets as each supermarket store struggles to enlarge a market share of the existing customers and extend patronage.

#### 4. Methodology

Causal research design was employed for the research. Causal research design is '*research that focuses on collecting either secondary or primary data and using an unstructured format, or informal procedures to interpret them*' (Malhotra and Birks, 2006).

The population comprised retail customers in Tamilnadu. The frame comprised retail hypermarket customers in Tamilnadu. Proportionate Stratified Sampling was employed. The sample size was 976 hypermarket customers.

The research framework was compiled based on exhaustive review of literature and research gaps. The endogenous variables were Reliability, Responsiveness, Assurance, Empathy, Tangibles, Loyalty intentions, Shopping experience and Customer loyalty. The exogenous variables were Loyalty programs, Brand equity, Merchandise quality and Perceived service quality.

#### 5. Analysis and Results

Research Question 1: Do service factors have an effect on perceived service quality?

H<sub>01.1</sub>: Reliability has no effect on perceived service quality.

H<sub>01.2</sub>: Responsiveness has no effect on perceived service quality.

H<sub>01.3</sub>: Assurance has no effect on perceived service quality.

H<sub>01.4</sub>: Empathy has no effect on perceived service quality.

H<sub>01.5</sub>: Tangibles has no effect on perceived service quality.

Research Question 2: Does perceived service quality has an effect on shopping experience?

H<sub>02</sub>: Perceived service quality has no effect on shopping experience.

Research Question 3: Does perceived merchandise quality has an effect on shopping experience?

H<sub>03</sub>: Perceived merchandise quality has no effect on shopping experience.

Research Question 4: Does shopping experience have an effect on loyalty intention?

H<sub>04</sub>: Shopping experience has no effect on loyalty intention.

Research Question 5: Does loyalty program have an effect on loyalty intention?  
 H<sub>05</sub>: Loyalty program has no effect on loyalty intention.

Research Question 6: Does brand equity have an effect on loyalty intention?  
 H<sub>06</sub>: Brand equity has no effect on loyalty intention.

Research Question 7: Does loyalty intention have an effect on customer loyalty?  
 H<sub>07</sub>: Loyalty intention has no effect on customer loyalty.

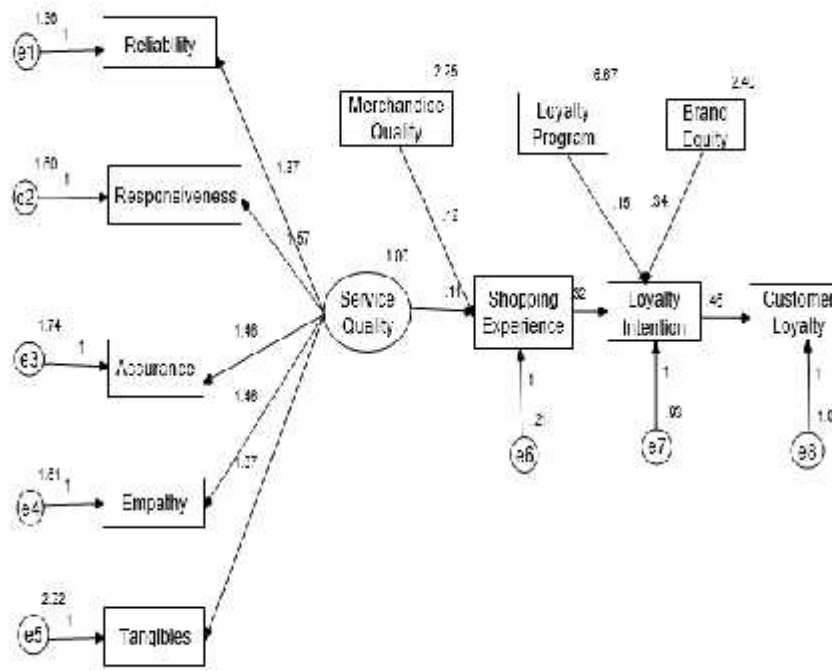
The corresponding null hypothesis for each research question was tested. The output of Structural Equation Modelling (SEM) path analysis is summarised in Table 1 and Figure 1.

**Table 1, SEM Analysis and Outcomes**

Path Analysis		UC	SE	SC	p value	
Reliability	<---	Service Quality	1.373	0.052	0.762	***
Responsiveness	<---	Service Quality	1.566	0.057	0.778	***
Assurance	<---	Service Quality	1.463	0.057	0.742	***
Empathy	<---	Service Quality	1.461	0.056	0.755	***
Tangibles	<---	Service Quality	1.368	0.061	0.677	***
Shopping experience	<---	Service Quality	0.115	0.016	0.226	***
Shopping experience	<---	Merchandise quality	0.124	0.010	0.368	***
Loyalty intentions	<---	Shopping experience	0.316	0.061	0.127	***
Loyalty intentions	<---	Loyalty program	0.147	0.014	0.302	***
Loyalty intentions	<---	Brand equity	0.340	0.023	0.418	***
Customer loyalty	<---	Loyalty intentions	0.456	0.026	0.485	***

Unstandardised Coefficient (UC); Standardised Coefficients (SC); SE – Standard Error;  
 p – Significance.

**Figure 1 SEM Path Analysis**





## **6. Conclusion**

Reliability, responsiveness, assurance, empathy and tangibles have a positive effect on service quality. Service quality and merchandise quality have a positive effect on shopping experience. Shopping experience, loyalty programs and brand equity have a positive effect on loyalty intentions. Loyalty intentions have a positive effect on customer loyalty.

Amongst the service quality dimensions, responsiveness and assurance need greater attention. Brand equity is highly critical to loyalty intentions as compared to shopping experience or loyalty programs.



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