

Understanding the Resilience of Building Consumer Trust and Loyalty in Organized Retailing – An Empirical Analysis

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ABSTRACT

Retailing is always considered as an imperative field of study because of its impact on the economy. The retail sector holds various categories to meet the products and services of consumer requirements and buying patterns. India's retail market comprises organized as well as unorganized sector. The organized retail sector is a dominant sector to witness meeting of consumers daily needs. This research focuses on identifying the service quality through studying the consumer expectations and perceptions of organized retail stores. This research is carried out on Organized Retail stores with reference to supermarket and hypermarkets which caters the needs of consumers of all demographics. The impact of consumer trust and loyalty of satisfied consumers of organized retail stores is measured through structured Questionnaire. The survey was conducted in various zones of Chennai city, across all supermarket and hypermarkets which are leading in organized retail sector with a huge consumer base. The sample size was determined as 501 for the study using standard sample determining formula. The hypothesis were framed based on extensive analysis of reviewing literature and objectives of study. The testing of hypothesis was completed using various statistical tools using bivariate, multivariate Analysis.

Keywords: Organized Retail, Consumer Trust and Loyalty, Service Quality.

1. INTRODUCTION

The Indian retailing industry is growing rapidly with great scope of expansion. The industry is shaped by past four decades since 1980 with entry of different retail formats as well as major retail players. (Krishnamurthy and Venkatachalam, 2023). Retailers attempt to create a positive shopping experience to customers in order to offer best perception of services. Organized retailing is more customer centric, which means the way of running business that ensures positive experience. (Dash et al., 2023). Comprehensive Customer relationship management ensures customer satisfaction and loyalty as customer retention is considered as a challenging part in current Indian retailing sector. The organized retail stores are significantly understanding the key drivers to offer best service quality to customers, which make the retail business more customer centric. (Agarwal and Srivastava, 2021). The elements driving organized retailing's expansion in India are changing demographic profiles, increased disposable income, stable economic growth and change in consumer taste and preferences. With the rise in major retail formats like Department stores, Supermarkets, Hypermarkets, speciality stores, cash and carry stores in India, the government introduced reforms to attract Foreign Direct Investments. (Kumar et al., 2020). Retail customers have started to expect personalized and distinct shopping experience from retailers. The retailers in turn are focusing more on customer satisfaction to increase sales, loyalty and trust. Retailers must keep in track with updating Technology due to sustain in competitive environment, improve profitability and optimum store management. (Dua and Bhavna, 2018). The emerging opportunities of retail sector is going to offer tremendous growth in organized retail segment. There is a shift in retailing formats and consumer buying patterns which has led to revolution of shopping in India (Zaidi, 2017).

The organized retail sector identifies the customer expectations and fulfils them accordingly to ensure consumer satisfaction, loyalty and repurchase ideas. Our country has recorded the maximum numbers of retailing stores outlets for shopping according to India Retailing reports. These retailers are able to stock regionally the products preferred by consumers since they have a private reference to their clients and are knowledgeable about their preferences. Nevertheless, the growth in the sales of organized retailing- supermarkets and hypermarkets came in after 2012 and has been going up ever since. The accessibility of purchasing all products in a single store layout had a great positive impact among consumers. The organized retail stores offer facilities and infrastructure with best service standards to help consumers

satisfy their service culture within the system and employees. The rising start-up culture across the globe had given great impact even in India's Food and Grocery Industry. As per reports from Mint, the online grocery market- non store retail model, is growing at 25% per year, which paved way for huge dependency amongst customers during the Covid-19 Pandemic. But the presence of physical stores in organized retailing are inevitable in the society where consumers' purchasing behaviour is influenced by familiarity of Store, Good staff, Store experience, convenience to shop, effective payment options, attractive offers, variety of brands and products, proximity and delivery options.

The study has a good scope of research as consumer's needs and preferences are never ending. The advancement in technology, better education, better income levels, change in lifestyle and evolution in living culture resulted in constant updating on organized retail stores. Therefore, the organized retailer stores must go beyond satisfaction in order to create loyal customers and ensure consumer retention to the same store. The findings of the study can show the appropriateness of factors which ensures consumer satisfaction and retention through delivery of best service quality.

2.LITERATURE REVIEW

Jerath et al., (2016) The organized retail sector has shifted into different landscape in global economy, amidst the presence of unorganized retailing. The consumers, product and service categories, retailing atmosphere and retailing formats defines the role of organized retailing in India. Understanding the consumer behavior and purchasing patterns can be recognized by the presence of organized retail stores which enhances improved service quality to consumers. Gogoi, (2017) Customer satisfaction influences the trust towards organized retail stores and trust is found to influence perceived service value which ultimately impact on customer loyalty. The service providers must retain customers as it is essential to generate success and profit. The new retail stores are constantly working on to offer various services to customers to ensure business sustainability. The challenge for any retailer lies in bringing back and retaining customer to their stores. Thus, it becomes obvious for the retailers to understand consumer needs, behavior and purchasing models. Peng et al., (2018) The retailers should focus on store assortment, atmosphere, quality of services and customer relation to ensure meeting customer perceptions. The research focused on Selangor city of Malaysia found that Organized retail stores had positive impact on customer satisfaction and repurchase intentions. The emotions of consumers were also given key importance by offering pleasant background and cleanliness in stores. The hypermarket segment ensured customer comfort which ensures customer satisfaction and Purchase intentions. Arun Kumar, (2019) The important tool used by today's organized retailer to reach customer loyalty is service quality. The retailers are forced to focus on customer perception of services amid the competitive retailing field. The modern marketing theory and practice of the organized retail sector revolves around two fundamental concepts: service quality and consumer perception. The measurement of service quality has become an important marketing tool for retail stores in order to identify the consumer expectations and shopping experiences. Simanjuntak et al., (2020) The shopper's emotions play a significant role in determining store loyalty and repurchase intentions. The research highlighted on shopping motives to understand the impact of modern consumers emotion towards retailing, as emotions are highly correlated with human values and psychology. Rathore, n.d.(2022) In the study identified the link between customer loyalty and service quality. The consumers believed that retail stores must anticipate the demand and implement better amenities as well as improved atmosphere, so that better overall experience can be witnessed. It was known that consumers are inclined towards consistent better service quality. Consumer loyalty can be achieved when high product quality is ensured from retailers. Saragih et al., (2023) Customer Trust is positively correlated and has significant effect on Customer Loyalty at Supermarkets in Medan city Indonesia. The study also identified a positive significance between Customer Satisfaction and Customer Loyalty at Organized Retail stores of Medan.

3.RESEARCH METHODOLOGY AND HYPOTHESIS DEVELOPMENT

A successful retail store will effectively and holistically understand the consumer needs, build strategy based on attracting consumers to generate profit and deliver right combination of value and convenience in shopping. This study understood the role of Organized Retail stores which enhances and customizes the consumer experiences in retail store outlets. The study which is confined to Supermarket and Hypermarket segments of organized retailing tried to understand the factors building consumer loyalty and trust. Thus, the study can know about Convenience of store time, loyalty and cleanliness of stores, ability to provide brands, quality and freshness of frozen foods, variety and selection of goods, courtesy and helpfulness of staff, availability of inventory, speed of check out process, proximity of store location, quality of website and promotion of offers and discounts. Descriptive research design has been adopted in this study. This research design provides a comprehensive and detailed explanation of the particular

phenomenon, situation, outcome or program. The findings of this study as a part of descriptive nature, understands the consumer trust and loyalty leading to repurchase intentions towards Supermarkets and Hypermarkets of Organized retail stores segment. The study used Convenience sampling method as the sample population are general consumers and shoppers of Retail stores in organized retail segment with a sample size of 501 respondents.

The following hypotheses were developed and proven in the study:

Hypothesis 1 :There is no significant influence of demographic variables on Consumer trust towards organized retail stores.

Hypothesis 2 :There is no significant impact on demographic variables in building Consumer loyalty towards organized retail stores.

Reliability was projected through internal consistency method which is applied to measure the consistency among the variables in a summated scale. In the present study, the Cronbach's Alpha coefficient of reliability was found based on primary data.

S.No.	Variables	No. of Items	Cronbach's Alpha	AVE	CR
I	Consumer Satisfaction	14	0.902	0.539	0.913
II	Consumer Trust	6	0.903	0.529	0.911
III	Consumer Loyalty	6	0.882	0.519	0.902
IV	Consumer Repurchase Intention	8	0.813	0.527	0.843

Survey method was adopted and primary data collection was employed through distribution and collection of structured questionnaires. The questionnaire was designed to address all the aspects associated with the objectives of this research. Statistical tools were applied in order to analyse and understand the impression of collected data. The data were analysed using SPSS and valid tools like Regression analysis, Factor Analysis, Cluster Analysis, Anova and CFA, SEM Modelling were implemented.

4. DATA ANALYSIS AND DISCUSSIONS

Respondents accessing Organized retail stores were selected for the study. A sample of 501 consumers were selected and their personal information such as gender, age, marital status, educational qualification, occupation, monthly income, family type and family size are collected.

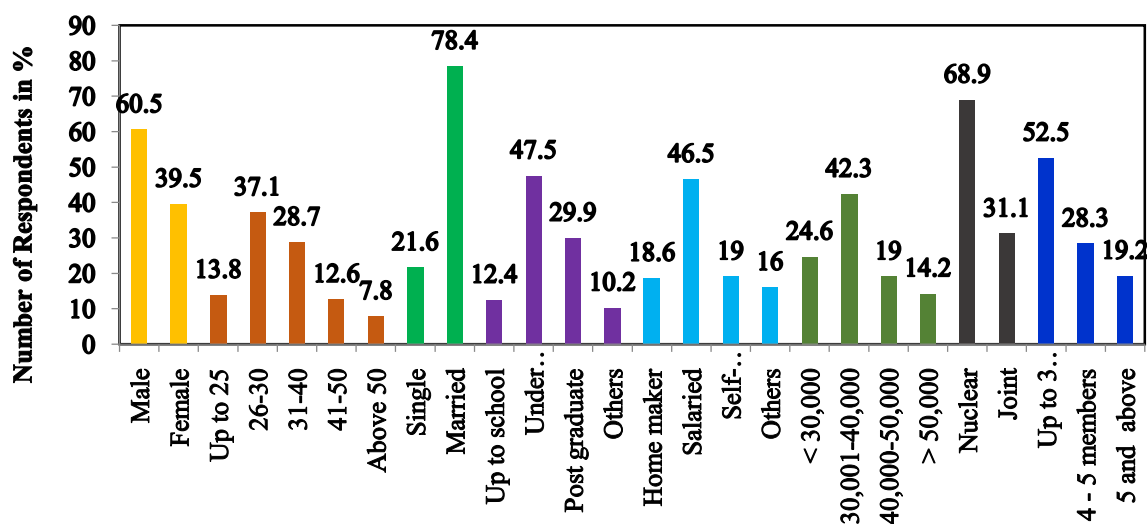


Figure 4.1: Profile of the Respondents

4.1 Exploratory Factor Analysis for Consumer Trust

Consumer Trust is measured with six items and it is factor analysed. KMO measure (0.814) for this analysis confirms the sample size is adequate and the Bartlett's test of Sphericity's Chi-square value 401.217 ($p=0.000$) is also found to be significant. The result of Factor analysis for Consumer Trust is presented in the Table 4.1.

Table 4.1: Factor scores for Consumer Trust

Components	Factor Scores
Consistent and reliable services	.763
Availability of reliable brands	.584
Good return policy	.801
Safe transactions	.639
Transparency and Honest Communication	.527
Identification of consumer needs	.681
Eigen value	8.659
Percentage of Variance	64.382

Source: Primary

Table 4.1 revealed single factor solution and with Eigen value (8.659) more than one exploring 64.382% of variance. All the six items are loaded in same factor and it is named as Consumer Trust. The factor scores ranges from 0.527 to 0.801. So all the six items are retained and revealed the various characteristics of Consumer Trust.

4.2 Exploratory Factor Analysis for Consumer Loyalty

Consumer Loyalty is measured with six items and it is factor analysed. KMO measure (0.831) for this analysis confirms the sample size is adequate and the Bartlett's test of sphericity's Chi-square value 463.017 ($p=0.000$) is also found to be significant. The result of Factor analysis for Consumer Loyalty is presented in the Table4.2.

Table 4.2 Factor scores for Consumer Loyalty

Components	Factor Scores
Good shopping experience	.724
Attractive offers and promotions	.657
Better exchange and return policies	.566
Value for money and redemptions of points	.597
Continue to shop in same store	.632
Recommendations of store to friends	.789
Eigen value	9.827
Percentage of Variance	68.143

Source: Primary

Table 4.2 revealed single factor solution and with Eigen value (9.827) more than one exploring 68.143% of variance. All the six items are loaded in same factor and it is named as Consumer Loyalty. The factor scores ranges from 0.566 to 0.789. So all the six items are retained and revealed the various characteristics of Consumer Loyalty.

4.3 Influence of Demographic Variables on Consumer Trust

In this section influence of demographic variables on Consumer trust towards organized retail stores is identified. One way ANOVA along with Tucky's multiple comparison test are applied to explore the influence of demographic variables on Consumer trust. Table 4.3 presents the results.

Table 4.3 Influence of demographic variables on Consumer Trust

		Mean	SD	F-value
Gender	Male	3.92	0.797	1.006 ($p=.215$)
	Female	3.61	1.065	
Age (in years)	Up to 25	3.91	0.837	11.321** ($p=.000$)
	26-30	3.79	0.911	
	31-40	3.35	1.061	
	41-50	3.69	0.856	
	Above 50	3.88	0.784	
Marital Status	Single	3.86	0.713	2.052 ($p=.095$)
	Married	3.75	0.908	
Educational Qualification	Up to school	3.86	0.859	1.449

	Under graduate	3.66	0.835	(p=.218)
	Post graduate	3.58	1.013	
	Others	3.56	0.810	
Occupation	Home maker	3.80	0.779	1.239 (p=.176)
	Salaried	3.67	0.854	
	Self employed/Business	3.71	0.865	
	Others	3.66	1.036	
Monthly Income (in Rs.)	< 30,000	3.89	0.726	14.302** (p=.000)
	30,001-40,000	3.82	0.952	
	40,001-50,000	3.42	0.789	
	> 50,000	2.98	0.876	
Monthly expenditure on Grocery	< Rs.2,000	3.94	0.986	8.603** (p=.000)
	Rs.2,001- 4,000	3.28	0.941	
	Rs.6,001- 8,000	3.71	0.768	
	> Rs.8,000	3.89	0.776	
Preferred Organized retailing	Supermarket	3.75	0.845	2.786 (p=.058)
	Hypermarket	3.74	1.020	
	Departmental Stores	3.99	0.889	

**Significant at 1% level. Source: Primary

Hypothesis 1 : There insignificant influence of demographic variables on Consumer trust towards organized retail stores.

Significant influence of age ($F=11.321$, $p=.000$), monthly income ($F=14.302$, $p=.000$), and monthly expenditure on grocery ($F=8.603$, $p=.000$) on consumer trust towards organized retail stores are observed, H_0 is rejected at 1% level. Significant influence of gender ($F=1.006$, $p=.215$), marital status ($F=2.052$, $p=.095$), educational qualification ($F=1.449$, $p=.218$), occupation ($F=1.239$, $p=.176$) and preferred organized retailing ($F=2.786$, $p=.058$) on consumer satisfaction are not observed, Null hypothesis is accepted at 5% proving the impact of demographics on Consumer trust towards organized retail stores.

4.4 Influence of Demographic Variables on Consumer Loyalty

In this section influence of demographic variables on Consumer loyalty towards organized retail stores is identified. One way ANOVA along with Tucky's multiple comparison test are applied to explore the influence of demographic variables on Consumer loyalty. Table 4.4 presents the results.

Table 4.4 Influence of demographic variables on consumer loyalty

Variable	Classification	Mean	SD	F-value
Gender	Male	3.77	0.916	2.109 (p=.092)
	Female	3.59	1.042	
Age (in years)	Up to 25	3.94	0.871	16.001** (p=.000)
	26-30	3.63	1.096	
	31-40	3.47	1.099	
	41-50	3.86	0.854	
	Above 50	3.15	0.784	
Marital Status	Single	3.75	0.908	0.438 (p=.508)
	Married	3.68	0.987	
Educational Qualification	Up to school	3.68	0.877	1.862 (p=.201)
	Under graduate	3.46	1.024	
	Post graduate	3.74	1.020	
	Others	3.67	0.805	
Occupation	Home maker	3.94	0.892	13.605** (p=.000)
	Salaried	3.42	1.082	
	Self employed/Business	3.84	0.965	
	Others	3.61	0.922	
Monthly Income (in Rs.)	< 30,000	3.79	0.939	19.587** (p=.000)
	30,001-40,000	3.82	0.855	

	40,001-50,000	2.49	0.862	
	> 50,000	3.55	0.849	
Monthly expenditure on Grocery	<Rs.2,000	3.92	0.851	18.016** (p=.000)
	Rs.2,001- 4,000	3.44	1.052	
	Rs.6,001- 8,000	3.72	0.995	
	>Rs. 8,000	3.91	0.868	
Preferred Organized Retailing	Supermarket	3.53	1.107	1.941 (p=.116)
	Hypermarket	3.93	0.887	
	Departmental Stores	3.66	0.880	

**Significant at 1% level. Source: Primary

Hypothesis 2 : There is significant impact on demographic variables on building Consumer loyalty towards organized retail stores.

Significant influence of age ($F=16.001$, $p=.000$), occupation ($F=13.605$, $p=.000$), monthly income ($F=19.587$, $p=.000$), and monthly expenditure on grocery ($F=18.016$, $p=.000$) on consumer loyalty towards organized retail stores are observed, H_0 is rejected at 1% level. Significant influence of gender ($F=2.109$, $p=.092$), marital status ($F=0.438$, $p=.508$), educational qualification ($F=1.862$, $p=.201$) and preferred organized retailing ($F=1.941$, $p=.116$) on consumer loyalty are not observed, Null Hypothesis is accepted at 5% stating significant impact on demographic variables on building Consumer loyalty towards organized retail stores.

5.FINDINGS AND FUTURE IMPLICATIONS

The respondents emphasized the importance of consistent and reliable services, as well as the availability of reliable brands, transparency, honesty, safe transactions, good return policy, and identification of consumer needs as key aspects of consumer trust. The respondents' perception of consumer loyalty is influenced by the value for money and points redemptions, but they are dissatisfied with the attractive offers and promotions offered by organized retail stores. The respondents emphasized the importance of easy purchase and creative display in influencing consumer repurchases intention. They also highlighted the benefits of Organized retail stores such as better customer services, easy access, location, parking, security facilities, and better reward and coupon systems. Additionally, they highlighted the positive shopping experience and convenient timings as key factors in repurchasing. The major retailing trends which have placed its existence in India are Technology Integration, where technology tools like cashless and contactless payments, hyperlocal marketing campaigns and customized communications of offers are implemented.

6.CONCLUSION

The organized retail sector has shown its presence in our country for the past few decades, which showcased the shift from traditional stores to modern store formats. One of the promising business formats in organized retailing are Department stores, Supermarkets and Hypermarkets. The features of these stores created a great impact in the shopping behavior of consumers. As human needs never end, there has been a huge transition in the functioning of Organized Retail stores in order to satisfy consumers. Nevertheless, our country witnessed a great transition in purchasing patterns of consumers from unorganized retail formats to organized retailing in the past few decades. The major challenges faced by Organized Retail stores are rising supply chain costs, availability of manpower, geopolitical conflicts and understanding consumer behavior and expectations. Customers of today want experiences that go above and beyond the standard shopping encounter and seek for white-glove customer service.

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