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THE JOURNAL OF BUSINESS AND RETAIL MANAGEMENT RESEARCH

# Journal of Business & Retail Management Research

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# **The Journal of Business and Retail Management Research**

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**Mission Statement**  
**Journal of Business and Retail Management (JBRMR)**  
**ISSN: 1751-8202**

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The JBRMR is a scholarly and refereed journal that provides an authoritative source of information for scholars, academicians, and professionals in the fields of business and retail management. The journal promotes the advancement, understanding, and practice of business & retail management. Manuscripts offering theoretical, conceptual, and practical contributions are encouraged.

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# Journal of Business and Retail Management Research (JBRMR) Volume 6 Issue 1 October 2011

## Editorial Comments

The current edition-volume 6, issue 1- contains twelve well researched and scholarly articles. They have all been selected keeping in mind the policy thrusts of the journal-dissemination of knowledge, both applied and theoretical. There are articles which have themes that focus on somewhat uncharted but strategy-sensitive areas. Readers will find them of interest. Of the twelve papers, all are retailing related , excepting the last three - which concern the hair dressing industry, micro businesses that may have retailing features and decision making in the context of a family with its implications for business.

The first article is centered on what all organisations are continuously confronted with - the issues of survival and growth, one complimenting the other. And to tackle these issues, businesses must have expanding markets to ensure competitive edge through cost advantage. While this is the theoretical requirement for the generation of economies, in practical terms, many businesses experience negative outcomes following their expansion moves. And the reasons are not always economic. Retailing businesses, too, are no exception, no matter how big they are. Failure does not spare them should they fail to take note of, for example, the dictates of the local conditions. This is the subject matter of the paper **“Retail internationalisation: Lessons from “Big Three” global retailers’ failure cases”** by **Ryu and Simpson**. The authors examine the expansion experiences in international markets of three leading retailers - Wal-Mart, Carrefour and Tesco - and list the reasons why they lasted merely six to seven years on average. Although all of them have and are still enjoying market stability, domestically, the major factors for exit from their international endeavours can be attributed to “poor entry strategy”, “inward focus”, inability to “adapt “ to local conditions and over confidence in strategy . The authors, thus, rightly caution the prospective retailers going international that adapting to host culture and the market, finding sources of competitive advantage (Wal-Mart, most known on this account domestically, failed in both Germany and South Korea) and achieving a global mind set are most essential. In their words, “dependence on past success without awareness (of) and planning (for) future challenges and competition is futile.”

The second article, continuing on the same theme, talks about how to compete in a changing environment in the face of continuing demographic and socio-economic changes. In his paper **“Business trends and logistics challenges in the Western European retail industry”**, **Sandberg**, having consulted the published literature in depth, investigates into the into the issue of retailing productivity but more

importantly, its efficiency in the face of the major trends in business, namely, 'geographical expansion', 'increased share of private labelling', growing 'specialisation of store concepts' and progressing 'consolidation and vertical integration'. Given this business scenario, the author contends that the focus should centre on 'logistics'. "For retailers, it is imperative to understand the logistics challenges that are originating from the overall business trends". Four dimensions of logistics have been emphasised in the literature that the author has surveyed and they include more sophistication in supply chain management, improving the 'logistics competence', increasing use of technology in logistics and making geographical expansion more 'cost and service efficient' in logistics terms. The author reminds the business groups that a main theme that emerges out of published literature is that logistics retains its strategic importance in business decision making. The study, though based on the Western European retail industry, has great significance for other markets too, the emerging ones in particular.

The third paper discusses an important and interesting phenomenon in the retail industry - the introduction and progress of private labels of retailers replacing the national brands in shop shelves. The process is seen as a natural progression. Retailers first establish themselves thereby raising their profiles and image in consumer perception. Once successful, they start introducing their own labels in various product categories - the simpler ones to start off with, namely food and non-food FMCGs, garments etc. where private labelling is comparatively easy and straight forward in technological terms. India, though an emerging economy, is no exception to this phenomenon, as the authors **Gupta and Jain** establish in their contribution "**Study of the comparative perception retailers towards factors affecting sales growth of private labels in India**". But what are the factors that lead to this happening and how do the retailers perceive them? The authors have attempted to investigate into these questions by seeking responses to their questionnaires from two hundred store managers. In this field work, they looked into three product categories - food and non-food FMCGs, apparels, and consumer durables. The factors considered important for sales growth of private labels were -after sales service, promotion, price, perceived risk, packaging and the brand image of stores. Applying statistical tools, they found that the factors - after sales service and perceived risk - were dominant in retailers' perception of sales growth of private labels. Given these findings, the authors suggest that the manufacturers of national brands should, accordingly, be more conscious in developing their production, sales and marketing strategies. It is also suggested that there is good reason for this kind of work to be extended to other product categories too.

The fourth article "**Custom-Standardisation' - uncovering the basis for global chaining strategy in prepared food retail**" by **Titus and Sengupta** discusses an important dimension in retailing success originating from innovative practices. It



is universally held that with increasing operations, organisations must adopt the policy of standardising their products to keep costs down with a view to selling them at competitive prices. But as they extend their scale of operations from local to national to international markets, the question of satisfying local customs and needs have also to be addressed to. It must be noted that failure to do so has led to failures of many organisations in the past - experiences of American retailers selling in Germany have been well documented. The theme of this article revolves around these issues and to support them, the authors refer to the practices adopted by McDonald's in food and beverage industry sector. The paper provides an account of how the organisation has made use of the concept 'custom-standardisation' in their product 'Happy Meal' as a core strategy in their business dealings world wide even in times of recession. The authors refer to the well known 'Hamburger University' facility designed for corporate training and for the managers to see how important it was to develop the two pronged strategy of standardisation and customisation to make inroads into customer loyalty having kept prices down without compromising on quality. And this became all the more important as their operations grew globally. The authors' observation "McDonald's in every way is the Wal-Mart of fast food "is indeed very suggestive of the methodology of success. They very rightly point out "what ails (most) a food firm that cannot grow beyond a minimal scale is their lack of custom-standardisation..." This has immense significance for firms in the food as well as in the non-food sector while developing their individual strategies.

The fifth paper by Burns titled **"Consumer decision making -styles: relationships with consumer alienation"** takes the readers to the ever important field of research where the psychology of consumers and their consequent behaviour interacts with business. The way the consumers behave and make decisions is not a constant phenomenon - it is always influenced by the changes taking place in the socio-economic sphere. The onslaught of technology only exacerbates the situation. The question therefore arises - with free flowing information, should the consumer be physically present for transactions to take place? This makes the case for investigating into decision making styles and the extent of consumer involvement /engagement in the purchase process. For purposes of enquiry, the author has selected the decision making styles of Generation Y - the young adults - their share in the total consumption expenditure being substantial. From the published literature, the author brings to focus that a minority of Gen Y seems to be having decision making styles that result in a certain alienation from the market place. That being so, it would have serious implications for businesses- "...less exposure to the market place will limit the number of products seen and likewise the number of products purchased". As argued by the author, the case to establish would then be the degree of this alienation vis-à-vis the decision making styles- stronger the style, greater is the degree of alienation. Eight decision making styles have been considered as

propagated by other researchers namely, brand consciousness, brand loyalty, impulsiveness or carelessness, confused over choice price-value conscious style, perfectionism style, novel-fashion conscious style and recreational conscious style. The first four of them - have shown a positive relationship and hence limiting consumer interaction with the market. In all cases of strong or weak relationships, the author has given ample logic and has drawn retailers' attention to the likely implications for their businesses. The author rightly reminds the readers that more research was needed before generalisations were made because in the present case, samples were drawn only from one demographic group.

Economic development and more importantly, its lessons for marketers is the focus of the next paper, the sixth, authored by **Kumar** and titled "**The impact of brand equity determinants on consumers' purchase decisions**". It is but natural that consumer behaviour will be impacted with rising disposable income. There are, at least, two outcomes of significance. First, there will be structural changes in demand implying that more will be consumed with increases in purchasing power sans inflation as per the law (income elasticity of demand) as propounded in the late 19<sup>th</sup> century by the Prussian economist-Ernst Engel. In developing countries, this will generally be reflected in increasing demand for food to start off with. The second outcome concerns noticeable changes in consumer life styles consequent upon changes in consumers' tastes and preferences. This makes it possible for the process of brand development to take off and newer industries like food processing appear on the horizon. The author has tried to validate these theoretical aspects with processed food data collected from the National Capital Region of India. The analysis is based on the 'Brand Resonance Model' developed by Keller. Brand resonance is the final state of a brand having passed through other stages - brand salience, its performance, imagery, brand judgement and brand feelings. The multiple regression results arrived at suggest a statistically significant association between brand resonances on the one hand and brand performance, its imagery and brand judgement on the other. The association with brand feelings is somewhat weaker. Explaining, the author suggests "...consumers are yet to relate themselves sentimentally with the products". Potentially, the study has important implications for the industry sector i.e. food processing but, as the author suggests, more research needs to be done to represent other regions before attempting any generalisations.

The seventh paper "**Impact of retail services on retail sales**" by **Kotni** discusses the productivity and efficiency aspects of retail stores and to what degree they affect the sales and customer satisfaction. The author first provides a background to the retail industry in India where it accounts for over a third of the country's GDP. With as many as twelve million outlets, most are in the unorganised sector, an overwhelming 96 per cent. The remaining 4% are obviously in the organised sector having an area of 500 sq ft or over and this includes the supermarkets

operating in the country. The study was carried out from a sample of shoppers in the city of Hyderabad, often referred to as mini India, in South India. The results of his investigation suggest that the outlets providing satisfactory services are outnumbered by those whose services are not that well appreciated by the consumers. Accordingly, there is substantial scope for improvement – both for consumers and the concerned retailers. The recommendations that follow the analysis include attracting middle income group customers well represented by both male and female customers but more so by the latter group, provision of more product information, greater availability of brands in the outlets and all this to be supported by regular periodical feedback from consumers on the level of quality being offered. The author suggests more such studies need to be carried out to be aware of the regional demands in service dimensions in a country of the size of India.

The subject matter of the eighth article **“The relationship between the ‘Big Five’ personality traits and customer satisfaction: a case study of Melli Bank of Kerman, Iran”** by **Kermani** concerns, as the title suggests, an investigation into the much studied area linking consumer psychology, business practices (e.g. Customer Relationship Management) and the resultant customer satisfaction. The author has sought to develop a theoretical framework connecting the three elements and has tried to validate the model on the case study. The reasoning is simple. The primary objective of CRM is to develop ways and means that help maximising customer satisfaction. But CRM has to have inputs on consumer behaviour and hence interactions with customers – what are their needs and expectations. Thus, their personality traits are important for an organisation to be knowledgeable about too. In this exercise, the author has used the ‘Big Five’ personality dimensions as developed mostly by Barrick and Mount, namely, extraversion, openness to experience, agreeableness, neuroticism and conscientiousness. The fieldwork involved a sample of eighty customers from the Melli Bank. The results, based on regression analysis, seem to be upholding the relationship as hypothesised. However, the scope for generalisation from the degree of the relationships as seen in this work, as the author suggests, is somewhat limited unless further researches produced similar results. Nevertheless, the analysis has significance for furthering (or otherwise) the prospects of CRM dependability.

The ninth paper **“Does an ATM surrogate a branch of a bank in India? By Padmasree and Bharati Devi** examines the surge in computing power and its impact on communications, with particular reference to retail banking that has undergone sea change in recent times as a result. The ATM system has replaced several counter related banking services and the system has made great inroads into the banking habits of customers so much so that many think the machines have replaced bank branches in many ways. The authors investigate into the issue

from the developments that have taken place in India. Using secondary data as the source of their investigation, the authors document the spectacular progress of ATMs in India and continuous research that is taking place in and around the country. The system is being made technologically more sophisticated not only to prevent fraud through the inbuilt bio-metric systems but also to enable the machines to handle an increasing range of services. While all these developments appeal to the customers at large, the authors note that the ATMs are yet receive the status of a bank branch. Although ATMs are being installed in increasingly greater numbers, total number of bank branches being opened up has also been increasing. The authors suggest that this phenomenon tends to negate the notion that ATMs can substitute the bank branches. The mindset of many customers is still not in alignment with the delivery capability of machines and as such they would still crowd the banks rather than getting things done through machines. This is more of a social problem rather than technological. However, the IT brains in the country would need to be more innovative in making the system more effective, efficient, and appealing and trust worthy so that banking costs are contained, if not reduced.

The tenth paper **“Hair dressers in the UK : Time to regulate the ‘Candy Floss Profession’?”** by **Shears** is about the evolution of a business that has made its mark from its day to day operations right up to the world of fashion – the hair dressing industry. The author, in the first of this two part series contribution, documents some highly interesting facts about the profession that a large section of its customers may not know about- that it remains a non-regulated business with the potential to cause physical damage even in a developed country context. “...Any one can open up a salon and pour industrial chemicals on the heads of unsuspecting clients... (Who)...believe that hair dressers must be qualified, trained (and) licensed...?” But more on these issues in the second part of the article. In this part, the author takes to a story telling mode keeping the focus on the evolutionary aspects of the business since early days - the evidence being there in cave paintings even in the days of Stone Age!! The profession excelled in ancient Egypt - “In ancient Egypt, caring for hair and beards was a specialised occupation....The Egyptians had (even) a ‘barber god’...” Having cited other interesting facts, the author ends the first part by telling his readers how the term ‘barber’ had become soiled in the 1940s when ES Turner encouraged the use ‘hair dresser’ instead. Eloquenty told, this two-part rendition of the industry would be of great interest to students of business history, law, industrial and managerial economics in particular.

The eleventh and the penultimate paper in this edition **“The role of micro-businesses in the socio-economic development of Ilocos Norte, Philippines”** by Parilla delves into the very heart of business – entrepreneurship. The issue as to what should be the strategy to usher in economic growth and development at a

faster pace in the developing world has remained ever challenging to policy makers. While the role of large scale businesses in national development cannot be denied, yet their ability to create employment – a major macroeconomic irritant – has been an area of much debate because of their being highly capital intensive. But ever since the experimentation and success of the strategy of developing through the micro business route, studies worldwide have added considerable strength to this philosophy. The entrepreneurial energy that these businesses contain is phenomenal, if properly utilised. Indeed, the debate on this goes back to the 1950s when ‘aid’ as an instrument to alleviate poverty in the developing countries was being promoted by the world bodies. And the arguments against it as propounded by intellectuals including Peter Bauer are well documented in that such instruments killed entrepreneurial spirits – or the animal spirits as Keynes would have liked to call them. The present paper, developed along these lines of thinking, further corroborates the already existing body of evidence that exists in support of micro (a subset of small) businesses about their contributory capacity. The author examines their substantive role to the rise of the province of Ilocos Norte in Philippines. Having examined the business profile (e.g. its organisational characteristics and business practices) and the entrepreneurial profile (e.g. personal characteristics, competencies and social responsibilities) of micro businesses, the author goes on to assess their impact on output – qualitative and quantitative. And his investigation confirms that the impact is significant in the socio economic development of the province, some of the parameters being high quality management practices, increased level of customer satisfaction etc. The conclusions are drawn from the responses of entrepreneurs in this class of business dominated by college graduates and married women mostly engaged in retailing. The study should be of great interest to students of sociology, organisational behaviour, and economic development as well as to policy makers.

The central theme of the twelfth and the last article **“Passive Dictators’ of the family and consumer behaviour: A case of malted food”** by Pandey and Kala hovers around the process of decision making by consumers within the contours of families. As will be discussed elsewhere in this editorial, the process is not a constant phenomenon – it evolves and takes on different shades over time as the socio-economic environment changes and the established norms in a family give way to newer ones as dictated by these changes. This phenomenon has significant and far reaching consequences because they will affect firm behaviour in the consumer-producer decision making cycle. As choice becomes wider for the consumers, the firms will reciprocate by introducing more differentiated and heterogeneous products and move away from homogeneous products as propounded by earlier economic theories. Indeed so phenomenal has been the impact of choice on firms that researchers – Edward Chamberlin in the USA and Joan Robinson in the UK – gave us an altogether new theory of firm behaviour in the shape of Monopolistic Competition (or Robinson’s Imperfect Competition) in

the early 1930s, laying the theoretical foundation for brand proliferation and paving the way for transition to Oligopoly. The present article goes to great length to identify the sources influencing decision making at the family – the first part of the cycle. The fundamental and interesting question being asked is – who takes the decision here. Indeed, with economic changes, social changes are ushered in too thereby making the family structure more vulnerable and amenable to change. As a family has more income earners, it also gives them more voice in the decisions taken. Further, as education takes root in the family, aided by technology and peer pressure, it has gradual but permanent influence on the value system and mindset of the members. The spectre of urbanisation and mobility etc. play their respective roles too. Families, moving away from joint to nuclear units, are exposed to all these changes and that affects decision making too within the family weakening the erstwhile traditional authority structure. The children, in particular, become more vocal and exercise greater influence in the buying process – becoming ‘Passive Dictators’ as the authors observe. “...children are socialised by their parents to act as rational consumers”. “After...observation of parental behaviour in the market place, they gradually acquire relevant consumer skills...”. The field work for this interesting observation about the extension in the buying process chain in a family with great significance for business strategy was carried out in Meerut, a vibrant and cosmopolitan city in India and representing middle class consumer characteristics that modern India presents.

**Prof. PR Banerjee**

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Contents

Editorial

## Articles

- Retail internationalization: Lessons from “Big Three” global retailers’ failure cases** 1  
Jay Sang Ryu, Jeff J. Simpson
- Business trends and logistics challenges in the Western European retail industry** 11  
E. Sandberg
- Study of the comparative perception of retailers towards factors affecting sales growth of private labels in India** 26  
Rajendra Jain, Sonal Gupta
- ‘Custom-Standardization’ – Uncovering the basis for global chaining strategy in prepared food retail** 39  
Ray Titus, Debashish Sengupta
- Consumer Decision-Making Styles: Relationships with Consumer Alienation** 48  
David J. Burns
- The impact of ‘Brand equity’ determinants on consumers’ purchase decisions. A case study of the processed food sector in the national capital region of India** 63  
Mukund Kumar
- Impact of retail services on retail sales** 73  
V V Devi Prasad Kotni
- The relationship between the “Big Five” personality traits and customer satisfaction: A case study of Melli Bank Kerman, Iran.** 82  
Zhaleh Zohreh Kermani
- Does an ATM surrogate a branch of a Bank in India?** 90  
Padmasree. Karamala, Bharathi Devi. Anchula
- Hairdressers in the UK: Time to Regulate the ‘Candy Floss Profession’?** 102  
**Part one – the genesis of a profession and the cast of characters, real and fictional, which colours the canvas.**  
Peter Shears
- The Role of Micro-businesses in the Socio-Economic Development of Ilocos Norte, Philippines** 111  
Eric S. Parilla
- “Passive Dictators” of the family and consumer behaviour: A case of malted food** 123  
Akhilesh Chandra Pandey , S. P. Kala





## **Retail internationalization: Lessons from “Big Three” global retailers’ failure cases**

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### **Keywords**

Retail internationalization; global retailing; internationalization failure; global mindset

### **Abstract**

*Due to saturated domestic markets many retailers seek potential growth and profits in the global market. After reviewing internationalization failures of big three global retailers, Wal-Mart, Carrefour, and Tesco, three important factors emerged which other retailers should consider as they plan strategies for internationalization and expansion. They are (1) adapting to host culture and market; (2) attaining competitive advantages in the new market; and (3) achieving global mindset and strategy. Findings of this paper can help retailers implement their internationalization strategies for the success in the global market.*

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### **Introduction**

For contemporary growth in international retailing to occur, relatively developed systems of production, distribution and selling are essential. As retailers experience saturated domestic markets, the need for greater investment diversification, legislative hurdles, competition, and economic pressures, many pursue international market entry strategies as a source of potential growth and profits (Sternquist, 2007). Various studies on retail internationalization suggest that retailers favor low risk entry strategies, markets with cultural and geographical proximity to their domestic market, and markets with growth potentials (e.g., Barkema and Vermeulen, 1998; Howard, 2000; Welch and Welch, 1996). Sternquist (2007) observes that all types of retailers participate in international market entry from the strong to the weak and the unique to the standard, but determining the level of market sophistication in which to enter may vary. The strong and the unique retailers may be better equipped to enter more developed markets, while the weak and the more standard retailers may find

greater success in less developed markets. However, the failure cases of global retailers' internationalization efforts have been reported regardless of the strength and uniqueness of retailing format and the level of entry markets' economic development.

Reviewing failure cases can lead to a better understanding of the common mistakes in market entry and performance to apply to future improvements in the area of global retailing (Burt, Dawson and Sparks, 2004). Because of this interest in assessing failure as a way to benefit future growth, this paper intends to examine selected internationalization failures of big three global retailers, Wal-Mart, Carrefour, and Tesco (Deloitte, 2009). In determining factors which increased the likelihood of failure, this paper provides conclusions which can be applied by retailers as lessons for change in future internationalization.

## **Failure Cases of Retail Internationalization**

### **Wal-Mart**

Perhaps the most well known and researched case of retail failure deals with the world's largest retailer, Wal-Mart. Known for their dominance in global sourcing, which accounts for 10% of the U.S. trade deficit with China (Workman, 2006), the company has struggled to compete in the global retail market, often in markets with social cultures that conflict with the success Wal-Mart has experience in the domestic market. Their failure and withdrawal from the German market is particularly well documented (Christopherson, 2007; Davison and Burt, 2006; Fernie and Arnold, 2002; Gerhard and Hahn, 2005; Workman, 2006; Zimmerman, Nelson, Ball and Hudson, 2006; "Heading for the Exit," 2006).

Wal-Mart entered Germany at the end of 1997 with the purchase of 21 existing Westkauf stores and shortly thereafter 74 Interspar hypermarkets. Known for their preference to acquire existing companies that can be molded into the existing corporate structure (Fernie and Arnold, 2002), Wal-Mart's purchase of two existing German retailers was not unusual even though it only gave Wal-Mart a 3% share in the German retail market sector (Davison and Burt, 2006). Many of the stores purchased were also outside of town centers, and thus frequented less by German consumers. As the largest retail market in Europe, and with its central location ideal for future expansion in all directions within Europe, Germany looked like an ideal starting point for Wal-Mart in Europe (Gerhard and Hahn, 2005). However Germany is also the most competitive European market with strong and well established hard discounters, heavy government regulations, and strong workers' unions (Davison and Burt, 2006).

Factors which harmed Wal-Mart in Germany included their inability to compete on price in the already heavily discounted German market. Known for "everyday low prices" in the United States, Wal-Mart did not hold a price advantage in Germany where companies already operate on extremely low profit margins and where customers are accustomed to a wide selection of heavily

discounted items. Although wholly owned, Wal-Mart was unable to capitalize on that level of control to their advantage. They faced negative factors immediately upon entry into the market. Since most of its German competitors were privately owned and thus less acquirable, Wal-Mart was left to purchase the smaller, available retailers many of whose stores were in need of renovation. A delay on Wal-Mart's part to get their name on new stores, and then to renovate them to represent the Wal-Mart brand well, resulted in an almost immediate negative association with image for the brand. Wal-Mart was never able to achieve status as a significant brand in Germany (Halepete, Iyer and Park, 2008).

Wal-Mart also erred in misreading the German's expectations for customer service. Wal-Mart's friendly sales staff approach was not well received by German consumers who found the smiling sales staff's behavior disconcerting (Workman, 2006). Due to the travel distance to stores located outside of local shopping districts, most German customers relied on Wal-Mart for monthly purchases rather than their regular weekly and thus main shopping purchases (Gerhard and Hahn, 2005). Wal-Mart is generally considered to have two areas of organizational advantage over their competitors: (a) control over suppliers which affects cost, storage and distribution time as well as (b) the technological ability to move rapidly with market changes. With these advantages Wal-Mart normally achieves a cost advantage over their competitors across a very wide range of products. Unable to achieve the same level of control over German suppliers, distribution channels, and employees as they experience in other markets, Wal-Mart was unable to gain significant advantages over their German competitors (Christopherson, 2007). Wal-Mart was also unable to adjust to the social norms of a German labor force, including assigning a director over German labor interests who spoke no German ("Heading for the Exit," 2006). The German labor movement is accustomed to direct involvement in company decisions. By not adequately including employee's unions in every step of company practices, Wal-Mart lost the support of their employees and subsequently the general public which places a high value on labor's involvement in corporate affairs. In July of 2006, Wal-Mart sold their 85 German stores to powerful German retailer Metro AG.

Wal-Mart also experienced a text-book like case of failure in the South Korean market. Forming a joint-venture in 1998, Wal-Mart operated 16 stores in South Korea. Similar to the German market, South Korean consumers found the warehouse style retailing unfriendly and housewives felt the selection of food and beverages did not meet the needs of Korean families (Workman, 2006). Wal-Mart failed to adequately adapt to these differences in taste. As well, they were unable to gain network advantages over their competitors, a key to Wal-Mart's success in other markets. With only 16 stores in the market, Wal-Mart Vice Chairman Michael Duke noted, "... it became increasingly clear it would be difficult for us to reach the scale we desired" (Workman, 2006). Wal-Mart also lacked a

diversification of investment in their joint-venture arrangement within South Korea. A country dominated by family-controlled conglomerates with interests in manufacturing, retailing, and real estate, Wal-Mart was challenged to compete against these conglomerates that had strong control over sourcing, costs, distribution, and store locations. As in Germany, Wal-Mart was unable to achieve their successful, competitive advantage of control over suppliers and technological advantages in distribution and market adjustment. Price wars were common as domestic retailers earnestly met Wal-Mart's efforts to lower prices (Halepet et al., 2008). Wal-Mart consistently ranked fifth among the top five retailers in South Korea ("Wal-Mart Sells Korean Business," 2006). In May of 2006, Wal-Mart sold its 16 stores to South Korea's largest discount retailer, E-Mart owned by Shinsegae.

### **Carrefour**

Competing in highly developed markets has also proven a challenge for France's number one retailer, Carrefour. Entering the Japanese market in 2000 with eight stores, Carrefour was significant as the first greenfield wholly owned international entrant (Aoyama, 2007). As would Wal-Mart in Japan, Carrefour experienced aggressive price competition from existing domestic retailers. Japan has one of the world's strongest luxury brand markets, with few low-income households which results in a smaller market for discounted items. Upon entry to the market, consumers anticipated Carrefour would represent luxury French products for which there was a demand. Instead, Carrefour followed their internationally successful strategy of working with local suppliers for goods common to the local market. Unfortunately, the market for local products was saturated thus Carrefour held no advantage over established retailers. Although they attempted to adjust, by bringing in French wine and other food products, the initial damage was too great to overcome their failure to achieve enough of the market share to remain viable (Baek, 2004).

Carrefour also miscalculated the desire for service and appearance to the Japanese consumer. By instituting statement merchandising, Carrefour sacrificed store appearance for shelved product maximization. Aoyama (2007) suggests that Japanese consumers are relatively price-insensitive and value a fashionable store atmosphere and location, as well as higher customer service, over lower prices. Japanese consumers tend to be extremely brand conscious, even on every-day products and food. They regularly associate low-price with cheap-quality and prefer instead retailers who provide entertaining shopping experiences and products which enrich their lives (Aoyama, 2007). While Japanese consumers do monitor pricing, in this highly developed market where domestic retailers are able to establish equal or lower prices to international retailers, Carrefour was unable to achieve any competitive advantage on pricing. Carrefour also faced distribution and locational challenges within Japan. Without that advantage, and by not meeting consumer's expectations, Carrefour was unable to achieve an economy of scale large enough to compete in the market. Carrefour split their store locations

between Osaka and Tokyo, which resulted in neither location achieving a strong market share. The distribution systems in Japan are notably complex to outsiders (Aoyama, 2007), involving layer upon layer of difficult to track wholesalers, manufacturers, and transportation companies. Accustomed to direct distribution from manufacturers, and faced with unwillingness on the part of distributors to adapt to a fairly weak retailer, Carrefour was unable to gain its usual advantage over competitors in its distribution channels. In March 2005, Carrefour sold their 8 brand new stores to Japan's number one retailer Aeon.

Carrefour had faced similar difficulties on a smaller scale in the American market when it entered with stores in Philadelphia in 1988. As in Japan, they entered a well established, consumer relevant market. At the time of their entry, many of the innovations of Carrefour's hypermarket format were not unique or significant to American consumers (Dupuis and Prime, 1996). Large scale parking lots were not uncommon and established retailers such as Wal-Mart and Kmart were already providing discount priced items to consumers. At the time, the American market had also not yet adapted to the concept of purchasing food items and non-food items at the same store. As they would later experience in Japan, apparently unable to learn from their U.S. market experiences, Carrefour was unable to achieve a large enough economy of scale to affect purchasing price to make a significant boost to its ability to compete in the market. Similar to Wal-Mart in Germany, Carrefour also faced employee union resistance which directly resulted in negative public opinions towards the company brand. As they would do in Japan almost a decade later, Carrefour closed their U.S. operations in late 1993 ("Carrefour Makes Plans," 1993).

## **Tesco**

British retailer Tesco has experienced market failure and exit as a result of errors in market entry decisions. In the late 1970's Tesco initially purchased a food retailer as a way into the retail market in Ireland. By treating the market as an extension of the UK operations, they neglected to adapt to local Irish tastes and suppliers which resulted in a general distrust on the part of the local consumers due to the fact there were few Irish products offered for sale (Palmer, 2004). Like Wal-Mart would do in Germany, they also made a poor choice in their wholly owned purchase as the stores they acquired were mostly in poor, less densely populated locations not well suited for Tesco's products. Tesco sold their stores to an Irish supermarket chain in 1986. Interestingly, Tesco re-entered the Irish market in 1997 with the purchase of another food retailer, this time securing the position as largest food retailer in Ireland with 109 stores. Although cautious initially to not repeat errors which led to customers' distrusting the Tesco brand, the company again failed to meet customers' expectations. Legal problems concerning female employees' dress code and a revelation that the company was regularly overcharging customers in error and not fully refunding the charges created new distrust for Tesco on the part of the Irish consumers (Palmer, 2004).

Learning from previous mistakes and with scale surpassing all other Irish food retailers, Tesco adopted a “buy Irish” campaign to improve their image and currently over half of the products sold in their Irish stores are Irish made or grown. They purchase over €650 million in Irish products each year for export to their global stores (Tesco, PLC, 2008).

In 1992, Tesco attempted entry into the French market with the purchase of 85 per cent of a small regional chain, in hopes of expanding it into a national wide brand. Hindered by a down turn in the market and concern across Europe as Wal-Mart entered Germany while Carrefour and Casino expanded, Tesco was handicapped by their lack of experience in global markets. Ultimately it became apparent that the amount of effort needed from the domestic office to sustain the French market exceeded the profits returned to the company, and Tesco chose to divest from the market to focus their attention on the more profitable domestic and international markets (Palmer, 2004). Yet as an example of the need for retailers to plan for divestment in conjunction with market entry strategy, it took three years for Tesco to locate a suitable purchaser for their French stores, finally selling the chain of 90 stores to Promodes in 1997.

## Discussion

### Failure Factors of Retail Internationalization

According to Cairns, Doherty, Alexander, and Quinn (2008), five factors link together to form a foundation for the process of divestment including: limitations of an inward looking corporation, lack of stability in the domestic market, negative effects of maintaining failing globalization strategies, problems with new management, negative results from initial entry mode strategies. The lack of stability in the domestic market was the only factor that was not shared by the failure cases examined in this paper (see Table 1). Burt et al. (2004) noted that the average time each retailer took before the market exit was between four and six years from market entry. The companies examined here took on average six years and eight months before they exited the market.

**Table 1. Summary of Selected Failure Cases**

<b>Retailer</b>	<b>Country of Entry</b>	<b>Years in Market</b>	<b>Factors for Exit</b>
<b>Wal-Mart</b>	Germany	9	Poor Entry Strategy: wholly owned instead of joint venture - Inward Focus: prevented market adaptation
	South Korea	8	Poor Entry Strategy: weak joint venture - Inward Focus: prevented market adaptation

<b>Carrefour</b>	Japan	5	Poor Entry Strategy: split locations for loss of distribution advantages - Inward Focus: prevented market adaptation and misplaced confidence in strategy
	United States	5	Poor Global Strategy: not innovative in US marketplace - Inward Focus: unable to adapt to US consumers
<b>Tesco</b>	Ireland*	8	Poor Entry Strategy: failed selection of wholly owned stores - Inward Focus: unable to adapt to Irish versus UK consumers
	France	5	Inward Focus: lack of experience for market adaptation and lack of global strategy

\*Market re-entered in 1997 and remains to date.

### Lessons for Future Global Retailers

Based on the review of the global companies presented in this paper, three potential factors emerged which other retailers should consider as they plan strategies for internationalization and expansion. Each of these factors taken individually or in conjunction with one or more of the other factors can provide highly beneficial insight for retailers, helping them identify and isolate potential failure risk in their own internationalization aspirations and subsequent planning.

**Adapt to Host Culture and Market.** A company unable to coordinate a smooth transition into a new market and adapt their domestic strategies to specific host market culture and social norms will find it nearly impossible to operate a successful venture. All three global retailers reviewed for this paper suffered from some level of ineffective market adaptation. All retailers preparing to enter international markets must take very seriously the risks they will face, including their level of ability to adapt to subtle and not so subtle cultural differences. It is easy for companies to overestimate their appeal to consumers in turn expecting similar results as they have found in their domestic markets. Companies must take steps to gain awareness of host country culture and social norms by such methods as hiring highly qualified local talent and then actually listening to and learning from this labor resource, researching consumer expectations of existing retailers in the market as well as ways they are not being adequately served, and exploring ways to connect the retail store to the local culture through product selection, customer service, and community participation.

*Attain Competitive Advantages in the New Market.* Wal-Mart and Carrefour suffered from difficulty surrounding replicating their competitive advantages in new markets, especially those related to price and economy of scale, which they enjoyed in their domestic markets. Wal-Mart was especially harmed in both Germany and South Korea by a lack of distribution and price advantages

which are fundamental to their success historically. Highly developed local competition and regulations limiting store development both hindered their ability to compete. Before retailers enter a new market, it is critical that they closely examine their existing market advantages that are critical to their success and plan for how they can achieve similar results in the new market. If they find they will not be able to replicate the same advantages, they must seriously consider the validity of entry into that particular market unless they have identified different but equally valuable advantages they can develop in the new market which can help insure successful market entry. As Wal-Mart learned, a company cannot attempt to counter the lack of advantages in the host market with the success of those in the domestic market as the resulting strain creates fundamental harm to the domestic corporate whole, resulting in domestic economic pressure for change.

*Achieve Global Mindset and Strategy.* Extensive research in global mindset (e.g., Bartlett and Ghoshal, 2000; Begley and Boyd, 2003; Gupta and Govindarajan, 2002) can help companies find ways to improve their level of global competition. Carrefour in Japan and Tesco in France all suffered from a lack of global mindset and significant strategy for entering the global market competitively. For example, Carrefour held a misplaced confidence in their global strategy which prevented them from taking appropriate steps for market success when they sought out expansion into Japan. All retailers, even those operating only in a domestic market, need to consider that they are operating in a global economy and find ways to achieve a strong global mindset within their organization in order to compete. Dependence on past success without awareness and planning for future challenges and competition is futile. Companies unknown today may be the main competition tomorrow. Retailers can work towards stronger internal policies which foster global mindset (Begley and Boyd, 2003). They can seek out globally minded employees to hire as well as develop ways to train existing employees towards global and cultural understanding (Gupta and Govindarajan, 2002). Finally, they can set goals for global competition and work at developing strategic intent to foster achievement in the global marketplace (Bartlett and Ghoshal, 2000). The companies examined for this paper all experienced varying degrees of difficulty in achieving success in global markets, all of which in time led to market failure and exit. Poor overall preparedness in terms of global mindset, strategy, knowledge, flexibility and competencies reduced their ability to compete successfully.

## **Conclusion**

While companies may experience denial when they fail at internationalization endeavors (Cairns et al., 2008), it is critical that they and other retailers learn from each situation's mistakes to better arm and prepare themselves to achieve success in the ever expanding global market. To play the game, you



must know the rules, and the rules in international retailing continue to evolve and grow with each case of success and failure. Awareness of global market culture is the only consistent defense when competing and succeeding in future global retailing.

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## **Business trends and logistics challenges in the Western European retail industry**

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### **Keywords:**

Business trends, logistics challenges, Western European markets

### **Abstract**

*The purpose of this article is to (1) summarise and structure recent literature about overall business trends in the retail industry, in particular those present in the Western European markets, and (2) outline the more specific logistics challenges that are related to these trends. The study is based on a literature review conducted during autumn 2009. As one of the dominating markets in Western Europe, special attention has been given to the German market and German literature in the area.*

*The results imply that the ongoing demographic and socioeconomic changes in the Western European markets accelerate the four overall business trends of retailers' geographical expansion into new countries and regions, increased share of private labelling, further specialisation of store concepts, and increased consolidation and vertical integration. From a logistics perspective it can be argued that these trends are related to several logistics challenges that must be handled by retail companies. The most important ones discussed in the literature reviewed include an extended domain of control and logistics responsibility in the supply chain, new requirements on logistics competence, the use of logistics related technology, and support for cost- and service efficient geographical expansion.*

*Although logistics has always been important for retail companies, the results from this study further reinforce the view of logistics as a strategically important capability for retail companies. Logistics performance may be seen as a strategic weapon that is decisive for future competition among retailers.*

### **Introduction**

Retail companies in the Western European markets are today facing a business climate characterised by declining growth figures of Gross Domestic Product, GDP, constantly high unemployment and stagnation of inflation-adjusted incomes. Together with demographic and socioeconomic changes such as older inhabitants and a multicultural society with diversified requirements, retail companies suffer from decreased profits and fierce price pressure. More than ever it is vital for retail companies to adapt to new situations, increase the pace of

innovation and overcome challenges. Business trends influencing the retail industry must therefore be identified, understood and evaluated.

One area of increasing importance, and dependent on the overall business trends, is logistics. Logistics is typically defined as by the Council of Supply Chain Management Professionals as “the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements” (www.cscmp.org). The logistics function hence includes the physical flow of goods, surrounded by necessary information flow. As a key managerial task for logistics, functional barriers should be broken down in order to create effective and efficient materials flow. For retail companies, without unique production or lucrative patents, logistics may be an essential capability for a sustainable competitive advantage.

For retailers it is imperative to understand the logistics challenges that are originating from the overall business trends. The purpose of this article is to (1) summarise and structure recent literature about overall business trends in the retail industry, in particular those in the Western European markets, and (2) outline the more specific logistics challenges and practices that are related to these trends. The study is mainly based on a literature study conducted during autumn 2009. As a result of being one of the largest and most important retail markets in Europe, a special focus has in this report been given to the German market and German literature in the area.

The retail industry in Western Europe consists of several different sectors such as food, DIY, fashion, electronics, etc, that are all operating on partly different conditions, and it is therefore sometimes problematic to discuss trends for the retail industry that are equally valid for all sectors and regions (Lademann, 2004). The review is therefore aimed at giving a general view of the industry, and the business trends identified. From a logistics view there are also differences between sectors, and this research is therefore limited to focus on challenges and practices that are valid for retail companies in general.

The remainder of this report is organised as follows. After a brief discussion on methodology, four retail trends are presented. Thereafter follows a presentation of the logistics challenges they represent. Finally some general conclusions from the study are drawn.

## **Methodology**

This research is based on a literature review to which literature has been accessed mainly in three ways:

1. Scholarly, peer-reviewed research articles have been searched for via the data base Business Source Premier. Typical search strings have been “retail + trends + logistics”, “retail + distribution”, etc, and has followed the guidelines of a systematic literature review process (Tranfield et al., 2003).
2. Google Scholar and Internet have been searched for academic articles, but above all consultancy reports from e.g. KPMG and Ernst & Young. This type of material often gives a good overview picture of the industry/sector and is also a valuable source for recently updated facts such as turnover, profit margins, etc.
3. To access German literature not present online, the BWL (Betriebswirtschaftlehre) library and its database at Darmstadt Institute of Technology have been searched for books. An additional source for literature has been German research colleagues.

The literature search has been conducted in two steps in which the first step identified overall business trends in the retail industry in the Western European markets. The identification of business trends has followed an iterative process in which different themes from different sources of literature have been combined, structured into tables and finally compiled into the end result of four larger trends that together comprise the findings from the literature. Although the identified business trends are general, the research has through the different research steps had a focus on logistics issues. Consequently, trends related to the physical handling of goods have got greater attention than for instance consumer behaviour and demands.

In a second step, literature on logistics-related topics and challenges in relation to the trends has been focused, for instance the use of RFID, transportation issues related to deliveries to new geographical areas, and logistics competence. In a similar way as for the general business trends, the logistics challenges have been structured and compiled into four overall challenges.

To further structure the results from the literature review an extensive research report was first produced. The results presented in this article are the main, aggregated results from that report. In order to verify the results and investigate the relevance, a workshop with practitioners has also been conducted.

### **Business trends for Western European retail companies**

When it comes to trends for the retail sector there are external as well as internal factors affecting the retail companies (Kumar, 2008). The most discussed external ones are changed demographic and socioeconomic structures, including e.g. increased share of older people in most Western Europe countries, increased multicultural society with diversified requirements and a growing gap between rich and poor people (e.g. Kumar, 2008; Pfohl and Röth, 2008; Payton, 2008; Otto and Mensing, 2008; KPMG, 2006; Brown et al., 2005). These changes are in

literature often discussed as a driver for the internal trends, of which the most important ones are presented in this section.

## 1. Geographical expansion

From being local in comparison to other industries the internationalisation of the retail industry has slowly started to accelerate (Lademann, 2004; Payton, 2008), and today some of the largest European retail companies have succeeded 50% of their turnover in foreign countries. The reasons behind this development are push- as well as pull-oriented (Pfohl and Röth, 2008). From a push perspective, the highly mature home markets with relatively low GDP growth means severe price competition, which in turn means low profit margins and a need for growth in order to increase profit. Geographical expansion here offers what at least seems to be a lucrative growth strategy. From a pull perspective, the new markets, for instance in Eastern Europe, have relatively high GDP-growth and offers less competition in comparison to the home-markets in Western Europe.

Several different models for roll-outs of geographical expansions can be identified among retail companies today, and there does not seem to be one model more successful than the others. In general, four different models are seen (exemplified companies might have conducted different models on different markets):

- The foundation of own subsidiaries on external markets (e.g. Aldi, H&M, Hornbach)
- The foundation of own subsidiaries under other names on external markets (e.g. Tesco)
- Acquisition of local retailers and stores (e.g. Wal-Mart)
- Implementing franchising or joint venture with local players (e.g. Metro, Obi)

Independent from type of expansion model, there are however many obstacles for companies that expand abroad. The well debated business case of Wal-Mart's entrance failure on the German market (Gereffi and Christian, 2009; Christopherson, 2007) shows that successful geographical expansion for a retailer does not mean standardised offerings to customers on different markets. In fact, requirements for customisation in terms of products, opening times, additional services, etc, are crucial for success on the new markets (Payton, 2008; Kumar, 2008; KPMG, 2006). This means that the business, including logistics, needs to be adapted to the local requirements without jeopardising the overall cost- and service efficiencies.

The reasons for the expansion can also sometimes be vague. In a report from KPMG (2006) it is stated that a common reason for companies to expand has been competitors that have been successful. Companies have tried to imitate their business concept, but the risk of failure of having such an imitation strategy is considerable (KPMG, 2006). Internal competencies might be very difficult to

identify from outside and therefore many companies have failed to do a proper imitation and understand what is behind their competitors' success (KPMG, 2006).

From a German and Western Europe perspective, one area of particular interest has in recent years been Eastern Europe (Pfohl and Röth, 2008; KPMG, 2006). Retail companies prefer these markets for two reasons; (1) they are expected to be closer to Western European countries when it comes to culture and needs than other regions of the world, and (2) the relative short distance from the home markets are seen as a logistics advantage (KPMG, 2006). Indeed, the previously closed Eastern Europe markets offer interesting opportunities for retail companies with their relatively high GDP and increasing welfare. Other important factors that enable the internationalisation on these markets are the EU-entrances 2004-2007 and the simplified customs regulations with less bureaucracy and investment regulations (Lademann, 2004).

## **2. Private labelling**

Traditionally, private labelling has been seen as a tool solely for cost minimisation (Huang and Huddleston, 2009). This view is however now changing, and the presence of high quality premium brands owned by the retailers have been recognised, especially in the grocery sector (Kumar, 2008). Private labels have become an important tool for keeping customers loyal to the store and the private label share of total sales for retail companies are increasing (Huang and Huddleston, 2009; Otto and Mensing, 2008; Juhl et al., 2006). In Europe, the sales of private labels accounted for 25% of the total sales in 2005 (Otto and Mensing, 2008). Worldwide, an increase of 5% yearly is expected and in the developing countries the increase is expected to be as much as 11% annually (Otto and Mensing, 2008). The difference between countries is however large and also the presence of private labels in different sectors varies (Juhl et al., 2006). For instance, in the grocery sector in the USA and UK the private labels accounted for 20% and 49% respectively (Huang and Huddleston, 2009). The increase of private labels is also assisted by the growing importance of the discount store concept (see below) (Deleersnyder et al., 2007), in which private labels offers an excellent opportunity for cost efficiency and control of assortment.

Huang and Huddleston (2009) identify three different types of retail-owned (private label) brands that all fulfil different requirements and have different aims; generic brands, mimic brands, and premium own-brands, see Figure 2.

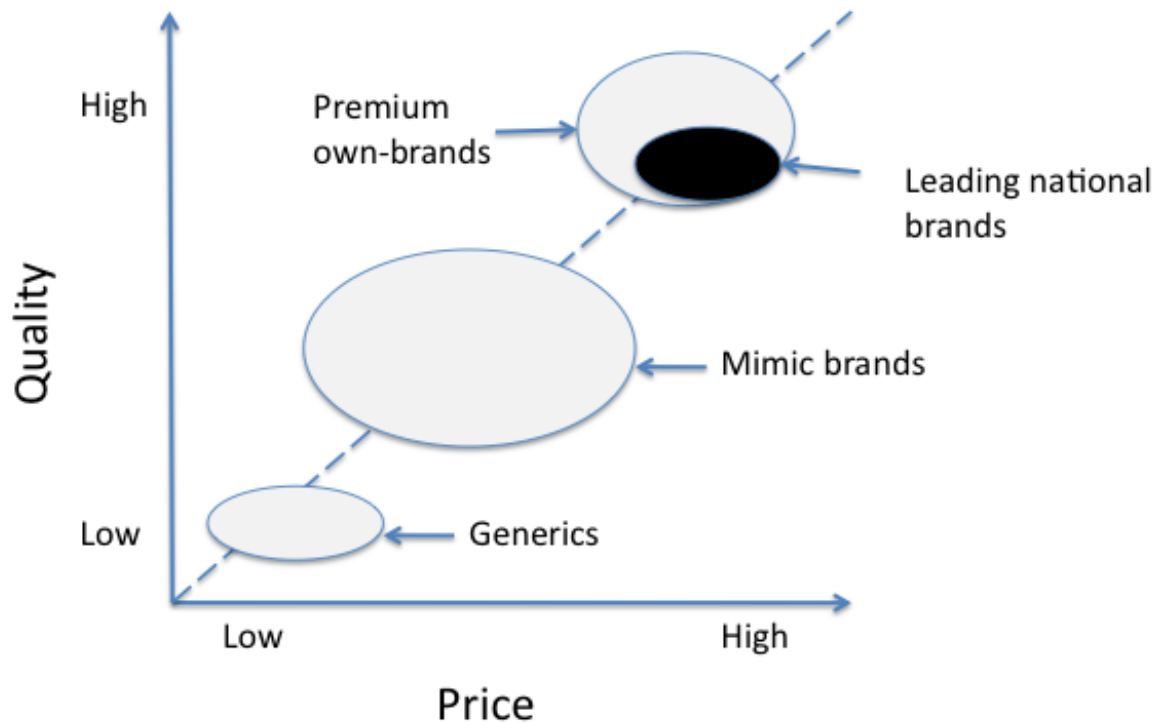


Figure 2: Positioning of different types of retail-owned brands (Source: Huang and Huddleston, 2009, p. 977)

The first type, generics, is known as the traditional retail-owned brand, aimed at providing customers with a lowest possible price alternative to the other brands. Often packed in simplest possible way and with relatively low quality, advertising, packaging and marketing is held to a minimum level. Products belonging to the middle group of retail-owned brands, referred to as mimic-brands, are directly competing with original brands by imitating them. These brands are supposed to offer the customers a “value-for-money” alternative to the original brands. Finally, the premium own-brands, which is the most recent generation of retail-owned brands, offer high value added products with innovative design with the same, or even higher, quality as the original, national brands. These retail-controlled premium brands, competing side by side in the store with original brands, means that retailers are now taking an active role in the supply chain when it comes to product development, innovative packaging, etc. This type of brands is also, as discussed above, an important tool for keeping customers loyal to the company’s stores.

The increased sales of private label products, and the segmentation into different classes that covers the whole spectrum of products in terms of price and quality, changes the role of the suppliers (Otto and Mensing, 2008; Schäfer, 2008; Juhl et al., 2006). There is a need for adjustment of manufacturing strategies among suppliers to cope with the new situation, which is many times difficult since the own brands are directly competing on the store shelf with the retail-owned brands



(KPMG, 2006; Juhl et al., 2006). Retailers have here an advantage in the form of access to data valuable for customer orientation (e.g. POS data), and will therefore be able to contribute to new, innovative products in terms of quality, design and packaging (Otto and Mensing, 2008). Overall, retailers are today facing the challenge of balancing a combined offering of traditional brands and retail-owned brands in the stores (Schäfer, 2008; Juhl et al., 2006).

### **3. Specialisation of different store concepts**

Recent years there has been a trend towards more specific store concepts among retail companies as a means to position the own company against competitors (Lademann, 2004; Pietersen, 2004; Prumper et al., 2007; Sampson, 2008; KPMG, 2006). Retailers in the middle, without clear strategic direction and customer focus for their store concept, have lost considerably market shares to above all retailers with a “discount” or “category-killer” concept, but also to smaller convenience shops.

The discount concept, particularly well developed in Germany, with Aldi and Lidl as pioneers (Deleersnyder et al., 2007), is characterised as low-price stores with limited assortment but good quality that is offered to certain customer target groups (Pfohl and Röth, 2008; Pietersen, 2004; Prumper et al., 2007, Lademann, 2004; Turban and Wolf, 2008; Deleersnyder et al., 2007). Recent two decades, it has shown to be successful in many sectors such as home electronics, furniture, shoes, DIY, textiles, but above all it can be seen in the food industry (Prumper et al., 2007; Pietersen, 2004; Kreimer and Gerling, 2006). For instance, in the German food sector, the discounters’ share of total sales has increased from 25.7% in 1992, to 36% in 2002, to 40% in 2005 (Prumper et al., 2007). During the same time, the number of discount stores in the food sector increased from 2700 to 9700 (Prumper et al., 2007). The limited assortment enables considerable cost improvements in logistics and supply chain operations and is hence the prerequisite and enabler for the low prices, which is the main competitive weapon for the concept.

Another successful store concept is the “category-killers” or “big-box retailers” (Sampson, 2008), where a very deep assortment of a product category is offered to the consumers together with knowledge and expertise about the products. So have specific warehouses for different sectors emerged, e.g. furniture, DIY, electronic equipment, etc. Also even more narrow, new sectors have emerged, such as baby-, car peripheral- and gardenstores (Lademann, 2004). Due to the assortment range, the stores are large-sized. Examples from the US market are Toys R Us and Home Depot (Sampson, 2008; Arnold and Luthra, 2000). The category killers have got large impact on a long row of different retail sectors and today no sector has been spared from their competition (Sampson, 2008; Lademann, 2004).

The concept of small “convenient shops” situated close to the customers and with generous open times, is another concept that has developed well in

recent years (Pietersen, 2004; KPMG, 2006; Otto, 2009; Kreimer and Gerling, 2006). Here convenience stores in connection to e.g. gas stations, that satisfy other needs of the customer, might be an important competitive weapon (Lademann, 2004). In general, there can be seen a “convenience trend” in retail stores, above all in the food sector (Kreimer and Gerling, 2006). In Germany, but also valid in the rest of Europe, new fast food products have for instance been developed, suitable for the increased number of single households (KPMG, 2006; Kreimer and Gerling, 2006). The convenience trend also means that the location for the store is important. Traditional warehouses offering “everything under one roof” may sound convenient, but not if they are situated far out in a shopping mall or similar (KPMG, 2006).

#### **4. Consolidation and vertical integration**

The mature markets and fierce price competition on the Western European markets have put focus on increased turnover as a means to enhance profits. This has resulted in a development towards fewer, but larger, retail companies in most Western European countries where economies of scale are searched for (Otto and Mensing, 2008; Hernandez, 2003; Lademann, 2004). For instance, in the German grocery sector today the ten largest companies stands for more than 90% of the turnover, and the top five companies’ share is expected to increase. In Switzerland the top 5 grocery retailers represents 92% of the market (Otto and Mensing, 2008). In the Swedish grocery industry, the development is similar; the top three companies ICA, Axfood and Coop represent over 90% of the market. ICA, the largest player, stands alone for more than 50% and their market share is increasing (Abrahamsson, 2008).

Except for the growth of the own company, mergers and acquisitions have further accelerated the consolidation. Recent examples of this from the German market are the merge between Praktiker and Max Bahr on the German DIY market, Kingfisher’s 21% share in Hornbach, and Edeka’s overtake of Spar and Netto and a large amount of Plus-stores.

Grounded in the same objectives as for consolidation, an increased amount of vertical integration can also be identified in the retail industry. Lademann (2004) identifies from a manufacturer’s perspective a number of different types of vertical integration present on the German retail market:

- Complete overtake of the stores by the manufacturer. One example here is Inditex, who owns and controls the complete supply chain.
- Exclude the retailer function and sell directly from the manufacturer. The development of larger factory outlets is an example of this.
- Franchise systems, where the manufacturer has a collaborative approach towards the stores.
- A dual distribution chain, consisting of stores owned by the manufacturer as well as traditional, own retailers. An advantage hereof is the ability for

the manufacturer to directly influence the end customers and to build brand loyalty.

- Different kinds of deeper collaboration between purchasing organisations of retailers and manufacturers.

## Logistics challenges

The business trends outlined in the previous chapter are general and expected to have a profound impact on all retailer functions such as marketing, sales, purchasing, finance etc. Logistics is not an exception and below four logistics-related challenges are discussed more in detail.

### 1. Extended domain of control

Recent years retailers have extended their domain of control in the supply chain, i.e. they have started to look beyond their own company borders to evaluate and integrate resources of their suppliers with their own (Ganesan et al., 2009). In relation to the manufacturers, they have become more dynamic when it comes to distribution, storing, procurement as well as production-oriented activities (e.g. final configuration), see Figure 3 below.

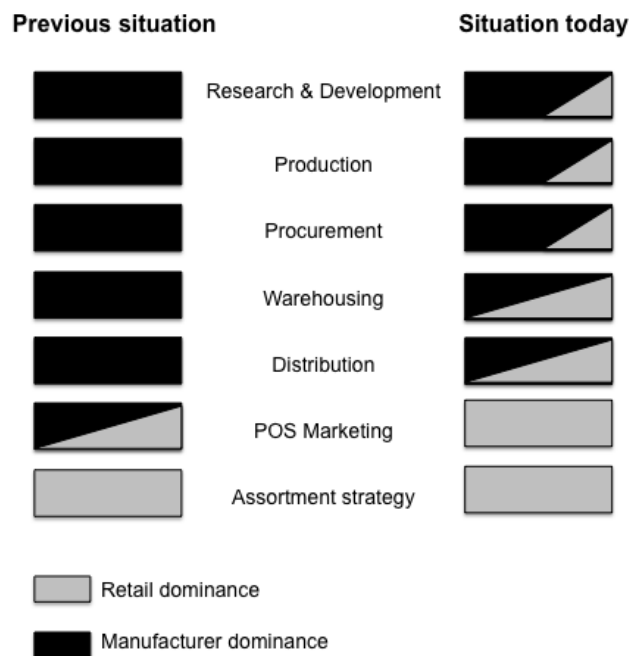


Fig.3: Manufacturers' and retailers' dominance of different activities previously and now (Source: Zentes and Schramm-Klein, 2004, p. 1701)

At a general level, this development has been reinforced by the overall business trends such as the specialisation of store concepts, the increased share of private labels, and the increased consolidation. Together, these trends make the retailers' logistics operations more complex and the traditional situation where the retailer are considered as the manufacturer's external sales office is not valid anymore. In many supply chains it is now the retailers' responsibility to create

efficient logistics operations that can handle a diverse range of goods to increasingly specialised stores, and issues concerning retail owned brands such as sourcing and product development cannot be trusted to suppliers anymore. As argued by Renko and Ficko (2010); "For retailers it is no longer a question of buying from companies or placing orders with shippers, it is rather a question of managing a process which covers everything from the sources to the delivery to the stores." (Renko and Ficko, 2010, p. 216)

The expanded domain of control potentials significant improvements in the logistics operations (Zentes, 2008; Prumper et al., 2007; Ganesan et al., 2009). Prumper et al. (2007) points out that it is not enough to rely on economies of scale in the purchasing function, but also to manage cost reductions in the logistics activities. In line with the concept of supply chain management it is argued that in order to secure the full potential of cost reduction it becomes necessary to consider operations throughout the whole supply chain (Prumper et al., 2007; Otto and Mensing, 2008; Otto, 2009; Ganesan et al., 2009; Brown et al., 2005). In particular, the potential of bundling of transports from the suppliers to retailers has a crucial impact on supply chain cost improvements, which has effected in increased initiatives from the retailers to manage the physical distribution from suppliers to the stores on their own (Prumper et al., 2007; Zentes, 2008). So have retailers started to build their own central warehouses as well as distribution centres (Zentes, 2008). By overtaking the task of distribution efficient bundling of products from different suppliers can be enabled. Except for improved economies of scale in transportation, this also results in better control and planning of the physical distribution and considerably less number of deliveries to the stores (Prumper et al., 2007). Cross-docking systems, often in close collaboration with logistics service providers, have become a common practice for many retail companies (Otto and Mensing, 2008; Otto, 2009).

## **2. New requirements on logistics competence**

The extended domain of control in the supply chain and the increased focus on logistics issues as a key competitive capability however also put new requirements on logistics knowledge for the retail companies (Prumper et al., 2007; Otto and Mensing, 2008). In short, logistics has become a major competitive weapon, but only for those companies who can manage it. It is argued that the share of logistics related costs such as inventory carrying costs, transportation costs and IT costs in relation to total costs will increase significantly in the future which means that they have to be managed more carefully (Prumper et al., 2007; Schommer et al., 2005). This means in turn that the need for appropriate competence for buying logistics services from third party logistics providers increases (Otto and Mensing, 2008). In addition, the increased amount of globalised sourcing put further requirements on logistics competence (Ganesan et al., 2009).

The gaining of logistics competence has also started to be considered from a supply chain perspective. For instance, Ganesan et al. (2009) stress the importance of process innovation in the supply chain and cooperation with suppliers as a catalyst for development. Examples of important areas for collaborative learning and innovation for improved supply chain efficiency are sustainability, category management and vendor-managed inventory (Ganesan et al., 2009).

### **3. Use of technology**

The use of technology have been discussed for a long time in retail literature, often related to business concepts such as Efficient Consumer Response, ECR, Collaborative Planning, Forecasting and Replenishment, CPFR, and Vendor Managed Inventory, VMI (Kumar, 2008). In particular ECR has had an enormous impact for the development of the grocery sector, and is expected to have it also in the future (Kumar, 2008).

Two different purposes for technology can be identified in literature. First, further cost improvements in terms of rationalisation and speed in operations are expected as a result of technology. For instance, Otto and Mensing (2008) discuss less paperwork and faster access to information. Second, technology is debated as an enabler for expansion and growth and operations that support customer loyalty and profiling – here technology is an important tool for further vertical integration where retailers can better connect their products and needs to the suppliers (KPMG, 2006).

The technology development has always been closely connected to the logistics operations in retail companies and technology has been an important driver for improved logistics performance (Kumar, 2008). Limitations in the technology were what previously hampered the logistics advancements. This has however changed and today there is a gap between the technology frontier and logistics operations; advanced technology is available on the market that (so far) is not asked for among companies (Otto and Mensing, 2008; Kempcke, 2006). A commonly discussed example of this is the business concept of CPFR, which to a large extent is based on technology. CPFR has despite several years of discussion only been implemented to a very limited extent and there are few companies that have managed to establish a successful business case (Skjoett-Larsen et al., 2003). Kempcke (2006) points towards a scepticism and a lack of commitment against too rigid technology-related solutions such as the use of automatic picking and packing and RFID, Radio Frequency Identification. It is argued that too high-tech inventories might not be flexible enough in terms of e.g. changed order structure or changed layout of the stores (Kempcke, 2006).

When it comes to RFID the literature shows a more balanced view on RFID in recent years. One reason might be a more mature view on the advantages with RFID – the more this technology is tested and used, the better understanding for

its limitations can be seen (KPMG, 2006). Nevertheless, other authors are still expecting RFID and other technology to be considerably more important in the industry in a few years, e.g. Kumar (2008) and Otto and Mensing (2008). Kreimer and Gerling (2006) mean that in sectors with more expensive products, the RFID technology might be worth a try, whereas in sectors with cheaper products, such as the food industry, still experience too high costs for the new technology. For increased development of RFID speaks also a continued interest and implementation of ECR worldwide (Kumar, 2008), that drives the technology development further and provides good examples of how the technology can be used to attain logistics advantages.

#### **4. Support of geographical expansion**

The increased geographical expansion represents another area where retail companies are facing new logistics challenges. A suitable, well functioning logistics system, including e.g. cross-docking systems, warehouses and agreements with third party logistics providers, is decisive for a successful expansion. Proper logistics performance requires the ability to manage and coordinate an extended supply chain. Economies of scale in single functions are not enough anymore; the whole supply chain should be managed and controlled (Pfohl and Röth, 2008; Kempcke, 2006).

Of particular interest for Western European retailers as well as logistics service providers is the opening of the markets in Eastern Europe. However the expansion to these markets is also connected to many new challenges (Pfohl and Röth, 2008). These includes the logistics handling in the stores, which often performs poorly in Eastern Europe countries where knowledge and education level in logistics is low (Pfohl and Röth, 2008). A second challenge on the Eastern Europe markets is the alignment and understanding of local cultures (Pfohl and Röth, 2008). Still, according to Pfohl and Röth (2008), business life in these countries are influenced by a "planned economy"- thinking which makes it crucial to collaborate with governments and potential customers and adjust the business accordingly. A third challenge on the Eastern Europe markets is the limitations in infrastructure. The absence of proper infrastructure makes it difficult to have central warehouses which makes the distribution structure complicated to manage. The concept of cross-docking, used in Western Europe, also become more difficult due to poor infrastructure.

#### **Discussion**

This study has identified a number of business trends for the retail industry in the Western European countries. Although a trend will not continue forever, several things speak for a continuation of the trends the forthcoming years.

- Geographical expansion to above all Eastern European countries will continue as long as the growth of GDP are faster than in the Western

European countries. In addition, several of the larger European retailers have just started to expand beyond the European borders. Here countries like India potential a further company growth.

- Private labelling has for long been a source for competition, but still several companies report goals of increased shares of own brands. As long as these goals are not met, and the cost- and value advantages of these brands continue to exist, the share of retail owned brands is likely to increase further.
- The specialisation of store concepts is expected to continue as a result of increased specialisation and specific requirements of the different sectors. This study shows for instance on a promising future for stores with a wellness profile in the food sector.
- When it comes to consolidation and vertical integration, several sectors are at the moment restructuring their supply chains. Although some sectors have reached a very high level of consolidation, a continued globalisation of supply speaks for more consolidation as well as vertical integration. The more internationalised supply chains, the more possibilities for economies of scale will become possible.

The overall business trends represent substantial logistics challenges that have been outlined in this research. The most important challenges discussed in the literature reviewed can be summarised to include the management of an extended domain of control in the supply chain for the retailers, improvement of the logistics competence, the use of logistics related technology, and support for cost- and service efficient geographical expansion. Although logistics has always been important for retailers, the identified trends in this study further reinforce the role of logistics, and as long as the overall trends will continue, focus and professional handling of logistics-related activities will be imperative and a source for retailers' competitive advantage (Ganesan et al., 2009). All in all, this brings a growing competitive and strategic interest for logistics (Renko and Ficko, 2010).

Theoretically, this research implies a continued interest for logistics issues in retailing. In particular, the intersection between logistics and marketing issues, such as assortment, including private labels, and store concepts, deserves further attention in future research.

From a managerial viewpoint, the study indicates a need for improved logistics competencies for top management and that logistics becomes a natural part of the top management's agenda. Organisationally, the traditional view of seeing the logistics as a supportive function subordinated to the marketing and purchasing functions may be a dangerous one in the future and should therefore be revisited.

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## **Study of the comparative perception of retailers towards factors affecting sales growth of private labels in India**

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### **Key Words**

Private Labels, Food and Non Food FMCG, Apparel, Consumer Durables.

### **Abstract**

*Private labels gained an increased market penetration and are growing at a rapid rate. Retailers' brands are to be found next to national brands in most product categories. The purpose of this study is to analyze the comparative perception of retailers for factors affecting sales growth of private labels in India. Factors taken are After sales service, Promotion, Price, Perceived Risk, Packaging and Brand Image of Store. The study comprised three categories of private labels namely Food and Non Food FMCG, Apparel and Consumer Durables. Multistage random sampling was used to collect responses from 200 store managers. A significant difference is found in perception of retailers for after sales service and perceived risk while no significant difference is found for Promotion, Price, Packaging and Brand Image of Store in the categories considered. Further study presents implications for retailers in terms of chalking out effective strategy on the basis of category of private labels. Manufacturers of national brands need to aware of gaining acceptance of private labels in various categories. This research opens up new areas of investigation for private labels in India.*

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### **Introduction:**

Growth of organized retail chains in India has also led to growth of private label brands. In countries like India where organized retail is establishing its foot, the proportion of sales from private labels has been increasing. Marketing activities of retailers have fuelled the growth of private labels. In coming time, most successful retailers will be those who manage their private labels programmes based on top quality products, effective packaging and strong promotion.

Each and every category witnessed an increasing presence of private label products and encompasses a wide range of private labels. The marketing efforts of retailers across the globe and their competition with local manufacturers have introduced private labels in almost every product category, and have made them available in both developed and emerging markets. A Study done by The AC Nielson (2006) named "Asia Pacific Retail and Shopper trend", states that, although private labels are fairly recent phenomenon in India, it is a trend that is catching up very fast.

## **Rationale**

As organized retail is growing by leaps and bounds in India, private labels gaining share in each and every category. However performance of private labels varies with category. Building a successful private-label brand is one of the important concerns for retailers. So it is essential to understand the category variation of factors which affects the sales growth of private labels. The study will serve the purpose by revealing the comparative perception of retailers towards impact of factors After sales service, Promotion, Price, Perceived Risk, Packaging and Brand Image of store towards sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. Since not enough study has been done on private labels in India, this study will open the doors for the new research area, which will also help the retailers to successfully handle the private labels and in developing an effective strategy.

## **Objectives**

1. To compare the perception of retailers towards impact of After sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
2. To compare the perception of retailers towards impact of Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
3. To compare the perception of retailers towards impact of Price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
4. To compare the perception of retailers towards impact of Perceived risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
5. To compare the perception of retailers towards impact of Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
6. To compare the perception of retailers towards impact of Brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.

### **Hypotheses:**

**Following null hypotheses have been formulated based on objectives and literature review.**

- H1.** There is no significant difference in the perception of retailers towards After sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H2.** There is no significant difference in the perception of retailers towards Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H3.** There is no significant difference in the perception of retailers towards Price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H4.** There is no significant difference in the perception of retailers towards Perceived risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H5.** There is no significant difference in the perception of retailers towards Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H6.** There is no significant difference in the perception of retailers towards Brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.

### **Literature review:**

Private Label's growth varies across product categories so it is critical to understand broader category dynamics for private labels. Inter-category differences are an important source of variation in private labels share (Batra and Sinha, 2000; Dhar and Hoch, 1997, Sethuraman 1992; Hoch and Banerji 1993; Dunn et al., 1986). Batra and Sinha (2000) suggested that examining inter-category differences may provide further insight into the development of private labels. More than a decade ago, Hoch and Banerji (1993) reported that the performance of private brands varied across different product categories, and this inter-category difference in private branding still exists.

Other studies indicate that category involvement also negatively influences consumer attachment to private label brands (Baltas and Doyle, 1998). Kyoung-Nan (2008) shed light on the inter-category differences in private brand sales, and reveals the effects of product characteristics across different levels of consumer value consciousness. Identifying product categories in which private brands are most likely to succeed is critical for retailers, especially in the current US context of changing private brand trends.

Glynn and Chen (2009) examined the category-level differences of both risk perception and brand loyalty effects on consumer proneness towards buying private label brands (PLBs). The results indicate that quality variability, price consciousness, price-quality association and brand loyalty influence consumer proneness to buy private label brands. Sethuraman (1992) showed that retail promotion on national brands reduces private label share and that share of private labels is smaller in categories with greater price competition among national brands. Jin, Suh and Gu (2005) examined the significant relationship and relative importance of the factors influencing private labels attitude and purchase intention in two product categories food and household appliance. It reveals that depending on the product category contribution of the factors varies.

Dhar and Hoch (1997) found that brand competition is a much more important determinant of private label share than retail competition. Raju, Sethuraman and Dhar (1995) proposed an analytical model to understand what makes a product category more conducive for store brand introduction. Model given by them helps in understanding cross category differences in market share of store brands. Ailawadi and Keller (2004) stated that store brands success is more category driven than consumer driven.

Dick, Jain and Richardson (1995) documented that perceived risk as an important factor in store brand purchasing behavior. Findings show that there is a significant difference between store brand prone and non-store brand prone shoppers with respect to the perceived risk associated with buying store brands. Narasimhan and Wilcox (1998) argued that the degree of perceived risk increases with the degree of perceived quality variation across brands in that category. d'Astous and Saint-Louis (2005) observed that store-branded clothes like national brands, use advertising, celebrity endorsements, designer names, and other promotional retail techniques in order to create a distinct personality.

## **Research methodology**

The methodology for the study is quantitative in nature. The study comprised three categories of private labels namely Food and Non Food FMCG, Apparel and Consumer Durables. These three categories were chosen as they occupy the major share of private labels in other words private labels are majorly present in these three categories.

### **1 The study is carried out with multistage random sampling**

In first stage, stratified random sampling is used. All the major retail chains having private labels were classified according to the category in which their private labels are present. Categories taken for the study are Food and Non food FMCG, Apparels and Consumer Durables. In second stage, total number of stores comprised stores of all the chain for each category was calculated then

proportionate sampling was applied to have proper representation of private labels in each category.

In third stage, again proportionate sampling was applied to take the total no. of stores of each individual retail chain within each category. Sampling units (Retail Stores) of each chain were selected on the basis of random sampling. Data was collected using self administered questionnaire as the research instrument by sample survey method.

Questionnaires were sent to store managers of retail stores having private labels in selected categories. Sample size was 200.

## 2 Reliability and validity test

A **pilot test** is conducted on very small sample and instrument is designed and redesigned to avoid the systematic errors. It is also used to see whether the scores are behaving as expected. Standardization process was applied which includes item analysis, reliability and validity. Total correlation was calculated and all the items were found to be having significant relationship with the total. Hence all the items were retained. Split half reliability was calculated to check the reliability and found to be .76 which is high. Validity is checked by face validity and content validity by the help of experts.

### Data analysis:

#### 1 Comparative perception of retailers towards impact of after sales service on sales growth of private labels

The first objective of the study was, to compare the perception of retailers towards impact of after sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 1**.

**Table No. 1: Summary of ANOVA for After Sales Service**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f1total	Between Groups	569.34	2	284.67	12.588	0.01
	Within Groups	4455.14	197	22.615		
	Total	5024.48	199			

**(Source: Primary Data)**

From the Table No. 1, it can be seen that the F-value of 12.588 is significant at 0.01 level with df equal to 2/197. It means there is a significant difference in perception of retailers for after sales service in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis **H1**: There is no significant difference in the perception of retailers towards after sales

service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is rejected.

Further to know the difference within the group Bonferroni test was applied. The results are given in the **Table No. 2**.

**Table No. 2**

Bonferroni Test for Factor After Sales Service							
Dependent Variable	(I) Category of Pvt Label	(J) Category of Pvt Label	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
f1total	1	2	-3.02000*	0.79575	0.001	-4.9414	-1.0986
		3	-4.20000*	1.04188	0	-6.7157	-1.6843
	2	1	3.02000*	0.79575	0.001	1.0986	4.9414
		3	-1.18	1.16486	0.937	-3.9927	1.6327
	3	1	4.20000*	1.04188	0	1.6843	6.7157
		2	1.18	1.16486	0.937	-1.6327	3.9927

(Source: Primary Data)

Results show that there is a significant difference in retailers perception for After Sales Service between category Food and Non Food FMCG and category Apparel (.001<.05), and also there is a significant difference between category Food and Non Food FMCG and Consumer Durables (0<.05), while there is no significant difference between category Apparel and category Consumer Durables (.937>.05). This shows that after sales service is more important factor in Consumer Durables and Apparel than Food and Non Food FMCG.

## 2 Comparative perception of retailers towards impact of promotion on sales growth of private labels

The second objective of the study was, to compare the perception of retailers towards impact of promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. For this ANOVA was applied. The results are given in **Table No. 3**.

**Table No. 3: Summary of ANOVA for Promotion**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f2total	Between Groups	15.463	2	7.731	0.375	0.688
	Within Groups	4061.732	197	20.618		
	Total	4077.195	199			

(Source: Primary Data)

From the Table No.3, it can be seen that the F-value of .375 is not significant. It means there is no significant difference in perception of retailers for Promotion in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H<sub>2</sub>: There is no significant difference in the perception of retailers towards Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of promotion do not vary amongst categories Food and Non Food FMCG, Apparel and Consumer Durables.

### 3 Comparative perception of retailers towards impact of pricing on sales growth of private labels

The **third objective** of the study was, to compare the perception of retailers towards impact of pricing on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. For this ANOVA was applied. The results are given in **Table No. 4**.

**Table No. 4: Summary of ANOVA for Price**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f3total	Between Groups	71.715	2	35.857	2.896	0.058
	Within Groups	2439.44	197	12.383		
	Total	2511.155	199			

(Source: Primary Data)

From the Table No. 4, it can be seen that the F-value of 2.896 is not significant. It means there is no significant difference in perception of retailers



towards impact of Price in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H3: There is no significant difference in the perception of retailers towards price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of Pricing does not vary amongst categories Food and Nonfood FMCG, Apparel and Consumer Durables.

#### 4 Comparative perception of retailers towards impact of Perceived Risk on sales growth of private labels

The **fourth objective** of the study was, to compare the perception of retailers towards impact of Perceived Risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. For this ANOVA was applied. The results are given in **Table No. 5**.

**Table No. 5: Summary of ANOVA for Perceived Risk**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f4total	Between Groups	154.732	2	77.366	7.718	0.01
	Within Groups	1974.768	197	10.024		
	Total	2129.5	199			

**(Source: Primary Data)**

From the Table No. 5, it can be seen that the F-value of 7.718 is significant at 0.01 levels with df equal to 2/197. It means there is a significant difference in perception of retailers for Perceived Risk in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H4: There is no significant difference in the perception of retailers towards Perceived Risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is rejected.

Further to know the difference within the group Bonferroni test was applied. The results are given in the **Table No. 6**:

Table No. 6

Bonferroni Test for Factor Perceived Risk							
Dependent Variable	(I) Category of Pvt Label	(J) Category of Pvt Label	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
f4total	1	2	1.136	0.52979	0.1	-0.1432	2.4152
		3	-1.90400*	0.69366	0.02	-3.5789	-0.2291
	2	1	-1.136	0.52979	0.1	-2.4152	0.1432
		3	-3.04000*	0.77553	0	-4.9126	-1.1674
	3	1	1.90400*	0.69366	0.02	0.2291	3.5789
		2	3.04000*	0.77553	0	1.1674	4.9126

(Source: Primary Data)

Results show that there is a significant difference ( $.02 < .05$ ) in the perception of retailers towards impact of perceived risk between category Food and Non Food FMCG and category Consumer Durables, and also in between category Apparel and Consumer Durables ( $0 < .05$ ), while there is no significant difference between Food and Non Food FMCG and Apparel ( $.1 > .05$ ). This shows that Perceived risk is more important in consumer durables than Food and Non Food FMCG, Apparel and Consumer Durables.

##### 5 Comparative perception of retailers towards impact of Packaging on sales growth of private labels

The fifth objective of the study was to compare the perception of retailers towards impact of Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. For this ANOVA was applied. The results are given in Table No. 7.

Table No. 7: Summary of ANOVA for Packaging

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f5total	Between Groups	44.415	2	22.208	1.969	0.142
	Within Groups	2221.54	197	11.277		
	Total	2265.955	199			

(Source: Primary Data)

From the Table No. 7, it can be seen that the F-value of 1.969 is not significant. It means there is no significant difference in perception of retailers for

Packaging in Food and Non Food Apparel and Consumer Durables categories. Therefore the null hypothesis H5: There is no significant difference in the perception of retailers towards Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected. It implies that retailers' perception towards impact of Packaging do not vary between categories Food and Nonfood FMCG, Apparel and Consumer Durables.

## 6 Comparative perception of retailers towards impact of Brand Image of Store on sales growth of private labels

The **sixth objective** of the study was, to compare the perception of retailers towards impact of Brand Image of Store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. For this ANOVA was applied. The results are given in **Table No. 8**.

**Table No. 8: Summary of ANOVA for Brand Image of store**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f6total	Between Groups	35.208	2	17.604	2.792	0.064
	Within Groups	1242.292	197	6.306		
	Total	1277.5	199			

(Source: Primary Data)

From the **Table No. 8**, it can be seen that the F-value of 2.792 is not significant. It means there is no significant difference in perception of retailers for brand image of store in Food and Non Food Apparel and Consumer Durables categories. Therefore the null hypothesis **H6**: There is no significant difference in the perception of retailers towards brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of brand image of store do not vary between categories Food and Nonfood FMCG, Apparel and Consumer Durables.

## Discussions and conclusion

Study shows that perceived risk and After Sales Service are the only factors which show the category variation amongst these categories. Sayman, S., Raju, J.S. (2004), indicated that category differences are a function of the private label share and the price gap with national brands. Category characteristics affect the number of store brands offered by the retailer. Glynn and Chen (2009) examined the

category-level differences of both risk perception and brand loyalty effects on consumer proneness towards buying private label brands (PLBs).

Putsis and Dhar (2001) stated that promotions can indeed increase category expenditure, although the impact of any promotion on expenditure will depend heavily upon the specific category, market and type of promotion. However present research in contrast does not show any category variation for promotion from retailers' perspective.

According to Glynn, Chen, (2009), price consciousness may be related to price variation of all brands within the category. Dhar and Hoch (1997) found the price differential is smaller in categories where the private label has a higher share of the market. Specifically, this applies to price-elastic categories. In contrast pricing does not show variation in retailers' perspective amongst categories Food and Non Food FMCG, Apparel and Consumer Durables in the present study. Present study shows retailers' perception for perceived risk varies from Consumer Durables to Food and Non Food FMCG, also from Apparel to Consumer Durables but does not vary between Food and Non Food FMCG and Apparel.

Hoch and Shumeet (1993) found that private label brand share was lower in categories where the quality concern of store brands was high. Supporting this notion, previous studies, such as Narasimhan and Ronald (1998) have argued that the degree of perceived risk increases with the degree of perceived quality concern across brands in product category. In fact, Batra and Sinha (2000) found that private label brand purchases in a category increase when consumers perceive reduced consequences of making a mistake in brand choice in that category, and when that category has more 'search' than 'experience' characteristics. Present study shows the similarity with these studies in terms of variation of perceived risk with category in the present study.

Researches are lacking in terms of packaging and its role in category variation. According to present research retailers perception for packaging does not vary for Food and Non Food FMCG, Apparel and Consumer Durables. In contrast according to Underwood, Klein and Burke (2001) empirical results from a virtual reality simulation show that package pictures increase shoppers' attention to the brand. However this effect is contingent, occurring only for low familiarity brands (private-label brands) within product categories that offer a relatively high level of experiential benefits.

Results of present study reveal that brand image of store do not vary amongst categories Food and Non Food FMCG, Apparel and Consumer Durable. Many researches not taken store image for category variation but they extended it to store loyalty like according to Labeaga, Lado, and Martos (2007) the degree of store brand loyalty differs across categories, thus concluded that loyalty is a consumer behaviour that varies across categories and across store brands.

However this is not considered in the present research as Indian private label market is yet to come at the stage of brand loyalty.

### **Scope and limitations**

Since the scope of present study is limited to three product categories, it can be extended to other categories as well. In the light of present findings it has become apparent that category has an important role in terms of variation of certain factors hence more categories can be studied to expand the scope of the study. Another area of further exploration is triggered by present study in terms of conducting researches by taking into considerations of strategic effect of National vs Private labels. By considering the present research as a base further research on private labels can be carried out specifically for a private labels of specially a particular retail chain.

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## ***'Custom-Standardization' - Uncovering the basis for global chaining strategy in prepared food retail***

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### **Key Words**

Standardization, Customization, Global Expansion, McDonald's, Chaining, Food & Beverage

### **Abstract**

*This paper proposes a global expansion model in Food & Beverage retail based on the concept of 'Custom Standardization'. The concept explores how processed and prepared Food and Beverage can be retailed from an outlet and further how this outlet can be duplicated through chaining or franchising mode. The fundamental imperative that can dictate the pace of chaining is an operational design that is built on an element of standardization combined and integrated with an element of customization.*

*This paper restricts this basis-for-expansion model to the Food and beverage business as the data used has been derived from a best-practice in that domain. An extension of the model to other domains can be pursued through further research. Also the case research for this paper is entirely based on the most successful global Food chain, McDonald's.*

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### **Introduction**

There's no contesting McDonald's as a success story. Note the statistics (Wikinvest, 2010). In 2009, McDonalds had revenues of \$22.7 billion and operating profits of \$6.8 billion. Sales across all of its company-owned and franchised restaurants totaled \$56.9 billion. Revenues were down 3.3% over 2008, but profits were up 6.2%. Over 5 years, McDonalds has seen company revenues increase at an annual rate of 4.9%, while profits increased by 14.0% and storewide sales grew by 9.0%. McDonald's revenues for the first three quarters of 2009 (ending September 30, 2009), were \$11.4 billion, down 10.1% from the first nine months of 2008. At the same time, operating income increased 1.5% over the same period last year, reaching \$5.0 billion. The declines in revenue were offset by larger declines in operating cost.

Yet what still remains up for debate are what's behind that success. How has McDonald's been able to script a success story that's even successfully ridden the recent recession (AP, 2009), when most other businesses fumbled? In addition what gives McDonald's the crown is its consistent performance in an industry that sees numerous fast food chains, thus giving consumers opportunities ample opportunities to 'switch'. Considering its sustained success, it can be safely concluded that McDonald's has been able to deliver on 'value' to its targeted customers, consistently. What that value is, and how has McDonald's been able to consistently deliver on it forms the initial part of this paper. Subsequently the paper focuses on the principles that can be gleaned from what it uses as the 'basis' (we call it 'custom-standardization') for its business model and which can be successfully built and run over the years by other food and beverage businesses, also forms the 'meat' of this paper's consideration.

### **Delivering Consumer Value**

As a target consumer segment, McDonald's has in its sights mass consumers. And around the world. What value is to mass consumers whilst a purchase consideration is made is common knowledge, though delivering on such value doesn't come too easy for business firms targeting them. Quality that's high on reliability, low on attributes thus keeping costs low, and a competitive price. That is the key. This has been amply demonstrated by Wal-Mart in the Retail Industry. Every day low prices, with 'good' quality. McDonald's in every way is the Wal-Mart of fast food.

### **Operating Efficiencies**

Take price for example. The fact is, the McDonald brothers who transplanted the assembly line technique into their food preparation process ensured that in the 40s the price of a hamburger was slashed from a competitive 30 cents to just 15 cents. The clinical focus on efficiency in their food production system lies at the heart of their efficiency abilities. This efficiency flows from the carefully crafted production system that has been mapped for least movements in the preparation of a finished food production. Time and motion studies have near perfected the number of moves that a preparer needs to take to have a finished product for an ordering customer. Though it may sound simple, managing a food production system to deliver on a standardized product at a pre-determined pace isn't easy. Which is why McDonald's was the first (Schugurensky, D. et al, 2000) to conceptualize and open a corporate training system that would train executives who would be managing McDonald's food production and delivery system. The modern incarnation of the corporate university began in 1961 with McDonald's "Hamburger University," a facility designed to prepare McDonald's executives and franchisees for running the now-famous fast-food restaurants. Since its inception, training at Hamburger University has emphasized consistent restaurant operations procedures, service, quality and cleanliness. It has become the



company's global center of excellence for McDonald's operations training and leadership development.

As a part of its growth objective McDonald's hasn't shied away from acquisitions. Yet when the company sees cost efficiencies not being maintained, they have divested such operations. To ensure McDonald's remained consistent with the required operational efficiencies (Reynolds, R.J. 2005) they sold, for example, Donatos Pizzeria, a company they owned for four and half years, due to the costly operations of running the company.

### **Custom-Standardization**

Our study of global fast food chains finds no chain other than McDonalds coming close to what we term 'custom-standardization'. The concept forms the basis for what makes McDonald's successful on a global scale. Custom-Standardization dictates a business model wherein, part of the model depends on building standardization into the operating eco-system and part is about inserting elements of customization. The standardized format within the model is what helps easy transplantation from one geographic area to another, as it entails mere duplication of the system elsewhere. There's nothing that's done from scratch. Yet the inherent paradox within the model is one that provokes the business firm to do one part of what it does from scratch. And that is the customization part. Especially when it expands operations.

In Food and Beverage and specifically to McDonald's, a differential can be established between what a front-end activity is, and what a back-end one is. The front-end is what faces the customer and delivers a finished product to him. The back-end is what facilitates the same. The front-end is where there's considerable customization, the back-end is mostly standardized. The logic's simple. The target consumer across geographies based on palates take to different tasting food products. Therefore there can't ever be a standard menu product (front-end delivery) that works across geographies. But the back-end which mostly consists of the operational methods that are put into motion for a food product to be prepared can be standardized. There may be customized required requirements in a food production system depending on the menu it caters to, yet its incidence remains minimal.

### **The 'Standardization' in Custom-Standardization**

The requirement for a strong element on standardization was first identified and put into effect by the legendary Ray Kroc at the time he saw McDonalds operating under the McDonald brothers. Ray realized that importance of standardization operations (Forbe~plicating the McDonald brothers' single store was just the beginning. To build a chain, Kroc knew that he had to impose discipline on the loosely run restaurant industry. And that meant refining standardized operating procedures into easily replicable processes. Forty years

earlier, Henry Ford had realized that the mass production of automobiles required the marriage of precision parts to an efficient assembly process. Kroc's insight was to apply the same rigor to the construction of burgers. Espousing the idea that "there is a science to making and serving a hamburger," Kroc endowed his beef patties with exacting specifications—fat content: below 19 percent; weight: 1.6 ounces; diameter: 3.875 inches; onions: 1/4 ounce. Kroc even built a laboratory in suburban Chicago to devise a method for making the perfect fried potato in the late 1950s.

To be fair to the McDonald's brothers, it must be noted that they were the ones who initially built an operating system (McDonald's, 2010) that both standardized on product techniques and ensured that the system therefore would be most efficient. The McDonald brothers actually designed the assembly line kitchen – twice as large as their original – by drawing an exact chalk diagram on their tennis court. They were able to place the equipment most efficiently after studying their crew members as they walked through their food preparation steps.

Another important task in ensuring there's standardization to the operating system, human intervention in the system, is only so there's the element of facilitating the system in the delivery of the final product output. At times charged as even being inhuman (Seklecki, Brian A 2005), McDonalds' has perfected a standard operating manual that has to be followed by the book by any employee in the system, and who performs a particular or a combination of tasks that culminates in a menu product. Allegedly, this value of work is diminished by the application of routine procedures to all tasks. Because humans represent the greatest source of uncertainty in a rationalized system, complex tasks are broken down into discrete, simplified ones. Processes that can be accomplished by a machine are, and where they cannot, human behavior is converted into machine-like behavior.

To standardize human intervention (ebd, 2010) in the preparation of menu items, McDonald's 600-page training manual provides clear and detailed descriptions of the production process, with pictures showing, for instance, where the sauce should be spread on the bun, and designating the thickness of every piece of pickle.

Joel Spolsky (2001) sums it up well when he states (quote), 'The secret of Big Macs is that they're not very good, but every one is not very good in exactly the same way. If you're willing to live with not-very-goodness, you can have a Big Mac with absolutely no chance of being surprised in the slightest.

The other secret of Big Macs is that you can have an IQ that hovers somewhere between "idiot" and "moron" (to use the technical terms) and you'll still be able to produce Big Macs that are exactly as unsurprising as all the other Big Macs in the world. That's because McDonald's real secret sauce is its huge operations manual, describing in stunning detail the exact procedure that every

franchisee must follow in creating a Big Mac. If a Big Mac hamburger is fried for 37 seconds in Anchorage, Alaska, it will be fried for 37 seconds in Singapore - not 36, not 38. To make a Big Mac you just follow the damn rules.

The rules have been carefully designed by reasonably intelligent people (back at McDonald's Hamburger University) so that dumdums can follow them just as well as smart people. In fact the rules include all kinds of failsafes, like bells that go off if you keep the fries in the oil too long, which were created to compensate for more than a little human frailty. There are stopwatches and timing systems everywhere.'

### **The 'Customization' in Custom-Standardization**

The variability in the tastes of consumers has been carefully studied by McDonald's to effect the customization required so finished food products cater to local tastes (Manrodt, Karl B 2004). Standardization is not a new concept; it has been a key ingredient for success for many firms. McDonald's seeks to serve its customers with the same quality product and experience, whether that restaurant is located in Moscow, Idaho or Moscow, Russia. This requires standardized processes and similar quality ingredients. However, no firm can operate without taking into account various cultural or geographic differences. For instance, the menu in a McDonald's in Tokyo is different than the offerings in Paris, France or in the U.S.

### **Customization in India**

Indian tastes are uniquely original. The cuisines that have flourished have all had an impressive dose of pungent and sweet flavours in them. In common use is masalas that are liberally used in the preparation of dishes. McDonald's' careful study of Indian palates and tastes helped it design a near-perfect menu that has now only gotten popular. Vasant Vihar, a prosperous residential area in New Delhi, was the initial location that McDonald's opened up its first store in India in 1996. Since then, almost 60 McDonald's restaurants have been opened. One of the most successive strategies that McDonald's uses before opening up its stores is research and development of its foods. Tastes and preferences vary across the globe, therefore, the company thoroughly analyzes the preferred tastes, especially to not offend local cultures (Mujtaba, Bahaudin et al. 2007). For example, India is a nation where beef is highly unpopular due to religious purposes; therefore, the company had to come up with burgers that were not made with beef, but rather with chicken or lamb. Furthermore, the company had to create flavors that were spicy in order to meet the general taste preferences. The other major concern was to be careful of the religious sensitives in India. Almost 80% of Indians do not eat beef, and over 150 million Indian Muslims do not eat pork, therefore, instead of supplying the normal Big Mac, which consists of beef, the company developed the Maharaja Mac that is made of two lamb patties. Other foods were also added to

the non-standardized menu including McAloo Tiki Burger, and other common Indian dishes.

### **Customization in China**

It isn't just menus that are customized by McDonald's. Even the functioning of a particular McDonald's reflects the cultural constructs within which it operates. Take China for example. An adaptation that McDonalds has made is to have restaurants open 24 hours every day. Most McDonalds in China do not have parking lots but are two or three stories tall. Some have walkup counters on the sidewalk level and dining areas on a different floor. They have also added take out menus and delivery drivers (Griffin, 2008) This may be due to the high cost of retail areas in large cities. Bringing the food to the customer makes sense in places where traffic congestion makes it difficult for the customer to come to the food. As an aside, when a group was quarantined due to H1N1, the Chinese hosts brought them McDonalds food. McDonalds has absorbed the traditional Chinese cultural elements of showing respect, recognition, understanding, assimilation and amalgamation, while maintaining the substance of the Western culture of efficiency, freedom, democracy, equality and humanity, according to China Daily (2004)

### **Menu Customization across geographies**

#### **Germany**

It's bottoms up in Germany, where McDonald's serves - Beer!

#### **Canada**

In parts of Canada, one can have a lobster dinner with the McLobster lobster roll. Pardon this - "McHomard" (in French).

#### **Japan**

Japan totally reinvented McDonald's with its Ebi Filet-O (shrimp burgers), Koroake Burger (mashed potato, cabbage and katsu sauce, all in a sandwich), Ebi-Chiki (shrimp nuggets) and Green Tea-flavored milkshake!

#### **Norway**

In fish-loving Norway, they have the McLaks, a sandwich made of grilled salmon and dill sauce.

#### **Chile**

In Chile, one can dress their burgers with - not ketchup - avocado paste!

### **Costa Rica**

In Costa Rica, unsurprisingly, one can order Gallo Pinto, meaning rice and beans.

### **Greece**

It's not Greek without pita, so when in Greece, one has a Greek Mac, a burger made of patties wrapped in pita.

### **Hong Kong**

Rice-loving Hong Kong, has – of course – Rice Burgers, where the burgers are in between, not burger buns, but two patties of glutinous rice.

### **Israel**

Despite Jewish religious dietary laws, most McDonald's are not Kosher (there are a few exceptions), and they serve "McPitzutz" ice creams and cheeseburgers, and Israel is one of the only countries that cooks the meat over charcoal versus frying. They also have the McKebab, two patties with Middle Eastern seasonings, stuffed into a pita bread.

### **Uruguay**

In Uruguay, they have the McHuevo, which is like a regular hamburger, but is topped with a poached egg.

### **Thailand**

Thailand has the double Mcfish and Double Big Mac with 4 meat patties and 4 buns.

## **Custom-Standardization in tandem**

To understand how custom-standardization plays out, consider how a Happy Meal is manufactured and marketed (Ledyard, Mike et al. 2010) across geographical regions.

### **Standardizing the Happy Meal**

A Happy Meal is based on the set meal concept delivering five components (a box containing the main entrée, a side, a drink, and a toy). The meal is marketed to kids using the corporate branding messages and continually updated promotions. No matter where you go in the world, you can order a Happy Meal at a McDonald's restaurant. Different regions have different selections, but this meal always includes a main entrée, a side, and drink, all delivered in a box, and, of course, the all-important toy is a part of the deal. Your meal is served hot, fresh, and better yet, you can customize it according to your preferences. Quality and corporate image is maintained from region to region, and location to location. In other words, you know what you're getting even before you place your order.

## **Customizing the Happy Meal**

But when you order a McDonald's Happy Meal in another (or a particular) country, you will find that it has been changed to meet regional food choices, preparation, packaging, and labeling needs. The packaging will also reflect a local theme and language.

## **Conclusion**

Custom-Standardization forms the basis for the business model that has scripted McDonald's success story. This basis focuses as much on standardization as on customization. The standardized systems format is what's allowed McDonald's to duplicate that system all over the world. The immense speed with which this duplication has happened is testimony to its global scaling ability. Such a global scale has in turn brought immense efficiencies that have translated into lowered cost, thus competitive prices, and also fostered global consumer trust.

The McDonald's story doesn't end with its standardized systems. A careful analysis of consumer tastes across the world has allowed the fast food giant to customize both menu and operations (to a certain extent) to cater perfectly to the culture within which it operates. Understanding palate sensibilities dictated by varied cultures is of utmost importance at McDonald's. It goes to the heart of its customization capabilities.

McDonald's is the perfect benchmark to any prepared food retail operation that wants to grow to a global scale. The basis for such global growth will have to be the food firm's ability in 'custom-standardization'. This lesson holds especially true for food firms in India. Most, if not all have never been able to go beyond a few outlets. At most maybe across a few cities in India, and no more. The reason's simple. Their operations aren't standardized in a way they can be duplicated. The human intervention element as seen by reliance on speciality chefs is another reason why they can't ever duplicate their food production process. What compounds the problem is a cuisine dependence that can't ever have global acceptance, because it can't draw on customizations the way McDonald's has.

In short, what ails food firms that can't grow beyond a minimal scale is their lack of custom-standardization that would otherwise have to be built as part of their operational system, should they want to scale up. The quicker these firms design such a system, the better is their chance at global scaling and global success.

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# Consumer Decision-Making Styles: Relationships with Consumer Alienation

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## Keywords

Consumer Alienation, Consumer Decision-Making Styles, Consumer Behavior, Consumer Characteristics Approach, Retailing

## Abstract

*By understanding the relationship between consumer decision-making style and consumer alienation, insight can be gained into consumers and the manifestations of their wants and needs, especially as it concerns discretionary purchases (which comprise most purchases). Individuals possessing differing consumer decision-making styles are hypothesized to possess differing degrees of alienation from the marketplace. The results support several of the hypotheses. The relationships, however, appear to be more complex than hypothesized. The implications for retailers are discussed.*

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## Introduction

Individuals are believed to approach consumer decision making in several distinct styles (Sproles and Kendall, 1986). These consumer decision-making styles have been a focus of research in marketing and the social sciences for many years (Bakewell and Mitchell, 2004). Such attention is not surprising – understanding consumers' decision-making processes permits an awareness of the foundations of the choices individuals make in the marketplace. More specifically, by understanding the different consumer decision-making styles employed by individuals, retailers can better realize the preferences and needs of different groups of consumers and the origins of these preferences and needs (Wiedmann, Walsh, Hennig-Thurau and Mitchell, 2001). Furthermore, by understanding the origins of preferences and needs, retailers will likely find that they are better able to predict and plan for the actions and choices of consumers (Bao, Zhou and Su, 2003). Many questions about consumer decision-making style, however, remain unanswered. One such question of particular importance to retailers concerns whether one's consumer decision-making style relates to the extent to which one interacts in the marketplace.

Given that consumer decision-making style affects how an individual relates to the marketplace (Wang, Siu and Hui, 2004), one can logically expect that



the consumer decision-making style employed by an individual will affect the extent of that individual's interactions with the marketplace. Bao, Zhou and Su (2003), for instance, observed that one's consumer decision-making style affects the extent of one's risk aversion in the marketplace. Since most purchases made by individuals are discretionary in nature (Wood, 2005), lesser interactions with the marketplace (physical and/or electronic) can be expected to adversely affect the number and the size of purchases made. (Since the more products that a typical customer sees, the more they generally buy, less exposure to the marketplace will limit the number of products seen and likewise the number of products purchased). A factor known to affect the extent of one's interactions in the marketplace is the degree of alienation from the marketplace one perceives (Johnson, 1995). The degree to which an individual perceives to be alienated from the marketplace is logically affected by the consumer decision-making style employed. Consequently, since consumers who are alienated from the marketplace will typically attempt to avoid or at least minimize their interactions with the marketplace, this would seem to be an important area of study.

The consumer decision-making styles and the degree of alienation from the marketplace felt by members of Generation Y (young adults) appear to warrant particular research attention. The consumer decision-making styles of members of Generation Y are believed to differ from previous generations (Bakewell and Mitchell, 2003; Mishra, 2010). Members of Generation Y were raised in a media and shopping intensive environment which has affected the meaning and the role played by possessions in their lives. Specifically, during the past century, each generation seemingly has been more materialistic than the previous (Herbig, Koehler and Day, 1993) with products playing larger and larger roles in the lives of the members of each successive generation – members of Generation Y are not an exception (Roberts, 2000).

Members of Generation Y possess a formidable presence in the marketplace by the magnitude of their expenditures – a presence which will likely grow significantly in coming years as their relative incomes grow. Although the extent of the involvement of members of Generation Y in the marketplace is unquestionable, not all members of Generation Y are equally involved. Indeed, a distinct minority of the members of Generation Y appears to possess different consumer decision-making styles and consequently, is not as involved in the marketplace (Elgin and Mitchell, 2004). The consumer decision-making styles of young adults and their relationship with alienation from the marketplace, therefore, appears to warrant research attention.

The objective of this study is to relate young adults' consumer decision-making styles to the degree to which they feel alienated from the marketplace. It is hypothesized that individuals possessing differing consumer decision-making styles possess differing degrees of alienation from the marketplace. First, past research on consumer decision-making styles will be explored. Second, past

research on consumer alienation will be examined. Third, hypotheses will be developed and tested.

### **Consumer Decision-making Styles**

Consumer decision-making style is “a mental orientation characterizing a consumer’s approach to marketing choices” (Sproles and Kendall, 1986: 268) and is commonly regarded as a basic psychological construct, comprising a fundamental part of personality (Cewart and Goldsmith, 2007). As such, consumer decision-making style is regarded as a relatively stable construct which affects an individual’s behavior over an extended period of time, perhaps one’s entire life (Walsh, Hennig-Thurau, Wayne-Mitchell, and Wiedman, 2001). As a stable construct, consumer decision-making style holds promise as a tool to better understand the nature of the consumer orientation of individuals. Indeed, consumer decision-making style can be viewed as “basic buying-decision-making attitudes that consumers adhere to, even when they are applied to different goods, services, or purchasing decisions” (Walsh, Hennig-Thurau, Wayne-Mitchell and Weidmann, 2001: 121).

The most highly regarded and most widely utilized approach to consumer decision-making style is that of Sproles and Kendall (1986). Sproles and Kendall (1986) identified eight consumer decision-making styles: 1) price-value consciousness or “value for money,” 2) perfectionism or high-quality consciousness, 3) brand consciousness or “price equals quality,” 4) novelty-fashion consciousness, 5) recreational or hedonistic consciousness, 6) habitual or brand loyal, 7) impulsiveness or carelessness, and 8) confused by overchoice. In an attempt to simplify understanding of the eight consumer decision-making styles, Shim (1996) suggests that the eight styles actually represent three differing orientations to consumer activities. Specifically, the first orientation (utilitarian orientation) is suggested to be comprised of the first two styles (price-value consciousness and perfectionism), the second orientation (social/conspicuous orientation) is suggested to be comprised of the next four styles (brand consciousness, novelty-fashion consciousness, recreational/hedonic consciousness, and habitual), and the third orientation (undesirable orientation) includes the final two styles (impulsiveness and confused by choice).

How do the eight decision-making styles relate to the approaches individuals take in the marketplace? As suggested earlier, given the effect that consumer decision-making style has on the consumer choices and activities of individuals, it is logical to expect that one’s consumer decision-making style will affect the degree to which one perceives alienation from the marketplace. Indeed, examining perceived alienation from the marketplace may provide increased insight and understanding into the manner by which consumers’ decision-making styles are manifest.

## Consumer Alienation

Alienation, or feelings of separation or estrangement from a social structure or social institution, is not a new phenomenon (Johnson, 1996). Several, however, perceive that the prevalence of the feelings of alienation individuals are experiencing is growing as a result of the increasing complexity of society (e.g., Lyman, 2001). Coupled with the increasing complexity of society is a requirement for increased personal integration with society. More and more, from automobile repair to communications, many individuals are finding that they must increasingly interact with many of the social institutions from which they feel alienated. Faced with such instances of "forced interaction," a logical reaction of some individuals experiencing feelings of alienation is to withdraw from those forms of interaction which are viewed to be discretionary, such as interaction with the marketplace.

Alienation is not a universal construct - instead, alienation is situation-specific (Allison 1978). Alienation, therefore, can only be examined within the domain of a specific social structure or social institution (Clark, 1959). Some of the contexts within which alienation has been examined include the workplace (e.g., Hirschfield, Field and Bedeian, 2000), the political process (e.g., Radkiewicz, 2007), religion (e.g., Kennedy and Drabing, 2002), and the marketplace (e.g., Johnson, 1996). Alienation in the final example, alienation from the marketplace, is most commonly referred to as consumer alienation and consists of individuals' failure to accept the doctrine of consumption and/or a failure to find fulfillment in the offerings of the marketplace (Boyd and Helms, 2005) and involves feelings of powerlessness (Krishnan, Bhatnagar and Manchanda, 2008). Lambert suggests "(consumer) alienation is a potentially fruitful area for further explorations aimed at attempting to gain better insights into and understanding of the factors that feed discontentment and consumerism" (1981: 82).

Feelings of alienation can be expected to affect an individual's behavior. Specifically, individuals can be expected to desire to minimize contact with social structures and institutions from which they feel alienated. Individuals with high degrees of consumer alienation, therefore, can be expected to attempt to minimize contact with the marketplace. Consistent with this line of thought, Lambert (1981) observed that greater degrees of consumer alienation may lead to disengagement from the marketplace.

Individuals experiencing consumer alienation can be expected to hold relatively poor attitudes toward the marketplace - individuals can be expected to disengage from social structures and social institutions with which they possess relatively poor attitudes (Lambert, 1980). Empirical research supports this contention. Lambert (1981) observed a strong relationship between consumer alienation and feelings of being disgruntled with the marketplace as did Vitell and Paolillo (2003). Individuals who feel higher levels of consumer alienation,

therefore, appear to hold poorer attitudes toward the marketplace and appear to be more likely to disengage from it (Boyd and Helms, 2005).

## The Study

When examining consumer decision-making styles, a number of relationships with consumer alienation appear logical. Specifically, four of the consumer decision-making styles logically can be expected to be positively related with consumer alienation (stronger consumer decision-making style leading to higher alienation from the marketplace) – the brand-conscious style where consistent brand choice is used as a mechanism to limit interaction with the marketplace (Hypothesis 3), the habitual/brand-loyal style where habit is used as a mechanism to limit interaction with the marketplace (Hypothesis 6), the impulsive/careless style where interaction is haphazard (Hypothesis 7), and the confused/overchoice style where individuals have a lack of confidence in their choice-making activities (Hypothesis 8). The remaining consumer decision-making styles logically can be expected to be negatively related with consumer alienation (stronger consumer decision-making style leading to lower alienation from the marketplace) – each of the four styles involves some sort of shopping activity, be it the price-value conscious style (searching for the lowest price) (Hypothesis 1), the perfectionism style (searching for the highest quality) (Hypothesis 2), the novel-fashion conscious style (searching for fashion) (Hypothesis 4), or the recreational conscious style (viewing shopping as an enjoyable leisure activity) (Hypothesis 5). The hypotheses, therefore, are as follows:

- H1. H1:** The price-value conscious consumer decision-making style is associated with lower levels of consumer alienation.
- H2. H2:** The perfectionism consumer decision-making style is associated with lower levels of consumer alienation.
- H3. H3:** The brand-conscious consumer decision-making style is associated with higher levels of consumer alienation.
- H4. H4:** The novelty-fashion consumer decision-making style is associated with lower levels of consumer alienation.
- H5. H5:** The recreational conscious consumer decision-making style is associated with lower levels of consumer alienation.
- H6. H6:** The habitual or brand-loyal consumer decision-making style is associated with higher levels of consumer alienation.
- H7. H7:** The impulsive or careless consumer decision-making style is associated with higher levels of consumer alienation.
- H8. H8:** The confused by overchoice consumer decision-making style is associated with higher levels of consumer alienation.

## Methodology

Members of Generation Y formed the basis of the sample. The sample was gathered from undergraduate students attending marketing courses at a medium-sized commuter state university located in the Midwest. The sample was specifically chosen to be chronologically, geographically, and educationally homogeneous. Consequently, the students likely possessed similar marketplace experiences. Furthermore, one's consumer alienation may be affected by one's demographics. Specifically, although Shuptrine, Pruden, and Longman (1977) suggest that consumer alienation is affected little by age or income, others have observed an age effect (Allison, 1978; Johnson, 1995; Lambert, 1981), an education effect (Neal and Groat, 1974), and an ethnic effect (Amyx, Bristow and Schneider, 2004). A homogeneous sample controls for these effects.

The questionnaire was administered anonymously during class settings. The resulting sample consisted of 1008 responses. No nonresponse was noted. The questionnaire included scales to measure consumer decision-making style and consumer alienation.

The Consumer Styles Inventory (CSI) was utilized to measure consumer decision-making style (Sproles and Kendall, 1986). The instrument was constructed to assess respondents' consumer decision-making styles. During the development process, the scale was subjected to large-scale testing and factor analysis to perfect the instrument and to ensure a valid measure. The cross-cultural applicability of the scale was examined in a number of contexts. Walsh, Hennig-Thurau, Mitchell and Wiedmann conclude "the original structure of decision-making style, by and large, was confirmed in all seven countries" (2001: 119), providing evidence to the validity of the instrument. McDonald (1994) reports additional evidence attesting to the scale's validity. Students were asked to respond to each scale item on a five-point Likert scale.

Although consumer alienation has been recognized for some time, little empirical research was been conducted until the 1970s. The initial research conducted on consumer alienation used generic alienation measures (e.g., Hilger, 1973); the contextual nature of alienation and methodological shortcomings of these early studies, however, limit the applicability of their findings.

More recently, Allison (1978) developed a scale to measure consumer alienation. As a result of utilizing a multi-stage scale development process to ensure the validity of the resulting scale, Allison (1978) produced the Consumer Alienation Scale. Although Allison (1978) provides extensive evidence on the reliability and validity of the scale, Beardon, Lichtenstein, and Teel (1983) further refined the scale by reducing the scale from 33 items to 22 items and by identifying three factors, representing 1) business ethics, or beliefs about the ethical behavior of business, 2) informed choice, or opinions about the usefulness of more information, and 3) personal norm, or attitudes about one's personal norms about

consumption. Further validity testing by Beardon, Lichtenstein, and Teel (1983) lends additional support to the validity of the scale.

## Results

The results (displayed in Table 1), indicate that six of the eight hypotheses are supported – for each hypothesis, with the exception of Hypotheses 1 and 4, significant (at the .05 level) results are observed in the direction hypothesized. (Significant positive relationships between the consumer decision-making styles of brand conscious (H3), habitual or brand loyal (H6), impulsive or careless (H7), and confused by overchoice (H8) and consumer alienation are observed. Significant negative relationships between the consumer decision-making styles of perfectionism (H2) and recreational conscious (H5) and consumer alienation are observed). Significant results are not observed for either Hypothesis 1 or for Hypothesis 4. (The hypothesized negative relationships between the consumer decision-making styles of price-value conscious (H1) and novelty-fashion conscious (H4) and consumer alienation are not observed). The results, therefore, lend support to the contention that consumer decision-making styles are related to the degree of alienation perceived from the marketplace and that the relationships differ across consumer decision-making styles.

**Table 1 : Correlational Results**

Hypothesis	Consumer Decision-Making Style	Correlation	Level of Significance	Hypothesis Direction
H1	Price-Value Consciousness or “Value for Money”	-.024	.452	-
H2	Perfectionism or High-Quality Consciousness	-.120	.000**	-
H3	Brand Consciousness or “Price Equals Quality”	.193	.000**	+
H4	Novelty-Fashion Consciousness	-.021	.514	-
H5	Recreational or Hedonistic Consciousness	-.107	.001**	-
H6	Habitual or Brand Loyal	.082	.010**	+
H7	Impulsiveness or Carelessness	.215	.000**	+
H8	Confused by Overchoice	.427	.000**	+

\*\* p < .05

To provide further insight into the findings, the analysis was extended to examine the factors of consumer alienation identified by Beardon, Lichtenstein, and Teel (1983) (Table 2). The further analysis indicates that, for four of the six consumer decision-making styles for which significant relationships are observed with consumer alienation (brand conscious (H3), recreational conscious (H5), impulsive or careless (H7), and confused by overchoice (H8)), the results observed emanate from all three of the consumer alienation factors. The relationships between one of the consumer decision-making styles (recreational conscious (H5)) and the three consumer alienation factors, however, are not consistent. The relationship with the third factor, personal norm, is positive, opposite of that hypothesized.

**Table 2: Alienation Factors**

Hypothesis	Consumer Decision-Making Style	Factor 1		Factor 2		Factor 3		Hypo.
		Correlation	Sig. Level	Correlation	Sig. Level	Correlation	Sig. Level	Direction
H1	Price-Value Consciousness or "Value for Money"	.028	.383	-.101	.001**	-.024	.446	-
H2	Perfectionism or High-Quality Consciousness	.024	.460	-.230	.000**	-.145	.000**	-
H3	Brand Consciousness or "Price Equals Quality"	.078	.045**	.066	.038**	.337	.000**	+
H4	Novelty-Fashion Consciousness	-.027	.396	-.151	.000**	.111	.000**	-
H5	Recreational or Hedonistic Consciousness	-.109	.001**	-.249	.000**	.083	.009**	-
H6	Habitual or Brand Loyal	.111	.000**	-.003	.927	.060	.057	+
H7	Impulsiveness or Carelessness	.064	.046**	.146	.000**	.341	.000**	+
H8	Confused by Overchoice	.286	.000**	.404	.000**	.201	.000**	+

Alienation factors: Factor 1- Business ethics

Factor 2 - Informed choice

Factor 3 - Personal norm

For the other two consumer decision-making styles for which significant relationships are observed with consumer alienation, the relationships observed appear to emanate from a subset of the consumer alienation factors. Significant

relationships are observed between the consumer decision-making style of perfectionism (H2) and the second and third consumer alienation factors (informed choice and personal norm) and between the consumer decision-making style of habitual or brand loyal (H6) and the first consumer alienation factor (business ethics).

Interestingly, the two consumer decision-making styles which are not found to be significantly related to the overall measure of consumer alienation (price-value conscious (H1) and novelty-fashion conscious (H4)) are found to be significantly related to selected factors of consumer alienation. Specifically, significant relationships are observed between price-value consciousness and the second consumer alienation factor (informed choice) in a direction consistent with that hypothesized. Relationships are also observed between novelty-fashion conscious and the second and third consumer alienation factors (informed choice and personal norm). Novelty-fashion consciousness, however, is observed to be negatively related to the second consumer alienation factor (informed choice) and positively related to the third consumer alienation factor (personal norm).

## **Discussion and Implications**

The results suggest that young adults possessing differing consumer decision-making styles possess varying degrees of alienation from the marketplace as hypothesized. Given that consumer alienation affects the level of interaction one has with the marketplace, and given that the level of interaction that one has with the marketplace likely directly affects the number and sizes of purchases made, the results potentially add to understanding of the effect of consumer decision-making styles on consumers' choices in the marketplace. Additional discussion seems warranted.

For each of the four instances where a positive relationship between consumer decision-making style and consumer alienation was hypothesized, confirmatory results were observed. In these instances (brand conscious, habitual or brand loyal, impulsive or careless, and confused by overchoice), the stronger the consumer decision-making style, the greater the degree of consumer alienation perceived. These consumer decision-making styles, therefore, appear to represent modes of approach to the marketplace which potentially limits one's interaction with it. Each will be briefly discussed.

The brand conscious consumer decision-making style involves relying upon perceived quality as a means to minimize risk of dissatisfaction, or more importantly, as a means to simplify and/or abbreviate the shopping process. A reliance on quality as the primary salient choice criterion eliminates a consumer's need to explore the marketplace to identify and compare other available, though possibly lower quality, product alternatives. Consequently, such a focus on quality permits an individual the ability to significantly limit contact and interaction with the marketplace.



The impulsive or careless and the confused by overchoice consumer decision-making styles both also involve limited involvement with the marketplace. With the impulsive or careless style, for instance, consumers' involvement in the marketplace tends to be haphazard – there is little, if any, attempt by these consumers to understand the marketplace. Instead, interactions with the marketplace are limited, often involving quick and sometimes virtually spontaneous isolated episodes. The outcome of the confused by overchoice style is similar. Faced with an apparent inability (or unwillingness) by these consumers to understand the marketplace, interaction with the marketplace is also usually limited and often involves quick and spontaneous episodes.

Lastly, the habitual or brand loyal consumer decision-making style involves using brand as a means to simplify and/or abbreviate the shopping process. Reliance on particular brands eliminates the need to explore the marketplace to identify and compare available product alternatives. Unlike the previous three consumer decision-making styles discussed above, however, the habitual or brand loyal consumer decision-making style was observed to be related to only one of the factors of consumer alienation – the factor of “business ethics,” or beliefs about the ethical behavior of business. It appears that the habitual or brand loyal style may represent a manifestation of a disbelief in the ethical conduct of business. By pursuing brand loyalty, a consumer can rely on the products/brands which have proven to be satisfactory through previous experience. Contact with the marketplace is minimized since unknown or unproven products are not likely considered or evaluated.

The findings suggest, therefore, that four consumer decision-making styles are positively related to consumer alienation. Consequently, individuals exhibiting these styles can be expected to desire to minimize their interactions with the marketplace. How can retailers best cater to these individuals? The situation is advantageous for retailers who already possess individuals exhibiting the habitual or brand loyal consumer decision-making style as consumers since as long as the retailer continues to provide the brand names desired or as long as the retailer itself is viewed as a trusted brand, these customers likely possess little incentive to look elsewhere. The situation is likely more difficult, however, for retailers attempting to attract new customers exhibiting this style. The most promising situations for these retailers may occur when a competitor who, as the result of a shift in positioning or alterations in merchandise assortment, alienates their habitual or brand-loyal customers, sending them on a quest to reestablish the status quo.

Retailers targeting the brand conscious consumer possess the need to maintain their quality position and/or to consistently provide products viewed as high quality by these individuals. In addition, the products need to be merchandised and promoted in such a way to maintain an “aura of quality.” If

brand conscious consumers perceive that products are offered by a particular retailer are consistently high quality, they will likely possess little motivation to look elsewhere given their feelings of alienation from the marketplace.

The impulsive or careless consumer, however, may be best targeted through store location. By choosing locations which are close and convenient to their customers, retailers may find themselves in better positions to cater to these individuals. Given their impulsiveness and their feelings of alienation from the marketplace, these individuals will be unlikely to methodically search for store/product alternatives, but instead will be more likely to purchase when and where a need is first realized. Hence, convenient store location appears to be a must.

Lastly, retailers targeting the confused by overchoice consumer will optimally need to provide a constrained assortment. The consumers will need to be able to locate needed products, but to be able to do so without being confronted by a myriad of choice. Though not primarily targeting the confused by overchoice consumer, retailers such as Trader Joes or Aldi are likely to be viewed favorably by these consumers given these stores' limited assortments and since many of their products are available in only a single brand.

The results suggest that consumer decision-making styles may play a lesser role in fostering involvement in the marketplace than inhibiting it. Only two of the four instances where a negative relationship between consumer decision-making style and consumer alienation was hypothesized were supported by the results (perfectionism and recreational conscious). Furthermore, only one of the two supported relationships, that involving recreation conscious, involved all of the factors of consumer alienation. The relationship involving the recreational conscious style is not surprising – the recreational conscious consumer decision-making style involves a desire to be involved in the marketplace. Indeed, involvement in the marketplace is viewed as a positive, often leisure or entertainment-oriented activity. Interestingly, the relationship with the third factor, personal norm, is positive, however, opposite of that hypothesized. This finding suggests that the recreational conscious consumer is focused more on the shopping experience itself rather than the acquisition of products.

Since consumers exhibiting a recreational conscious style tend to view shopping as a fun, desirable activity and often view it as a leisure activity, retailers targeting these individuals need to locate in areas visited by this customer. Locating within close proximity to other leisure activities (e.g., vacation locations) would appear to possess the likelihood of being successful locations. The locational strategy of outlet centers is consistent with this philosophy. Most outlet centers are located in or near major tourist destinations, such as amusement parks, beaches, or major historical landmarks. Also, since shopping is often viewed as fun as opposed to merely as an obligation, these individuals will likely be drawn to stores offering unique and different products.

Perfectionism was found to be negatively related to the second and third consumer alienation factors (informed choice and personal norm), but not the first factor (business ethics). The relationship between the perfectionism style and consumer alienation, therefore, does not appear to arise from perceptions of the perceived ethics of business, but from more personally oriented factors – the perceived value of additional information in the choice process and personal norms. These individuals desire quality and values additional information to aid them in the choice process.

Retailers targeting perfectionistic individuals need to provide high quality products. Furthermore, they should provide informational assistance to aid customers into realizing that the products offered by them are indeed of the highest quality and/or to help the customers choose the best quality products from among the retailer's offerings. Optimally, a retailer targeting perfectionistic individuals will provide the information necessary to clearly convince customers of the superiority of its offerings. If the store's customers "shop around," however, the retailer will need to foster informed comparison by readily providing consumers with the information necessary for them to become convinced of the quality of the retailer's offerings.

The final two consumer decision-making styles, although hypothesized to be negatively related with consumer alienation, were not found to be related to the overall measure of consumer alienation – they were, however, found to be related to selected factors of consumer alienation.

The price-value conscious consumer decision-making style was observed to be related only with the second consumer alienation factor – informed choice, or opinions about the usefulness of more information. Individuals possessing this style, therefore, tend to possess a higher opinion of the usefulness of more information in the search process. Consequently, they appear to engage in the marketplace to acquire information – information viewed as useful in the choice process. It seems likely that these individuals will often engage in a relatively high degree of information gathering and comparing before making a product choice. This is logical, given that research and information gathering are required to locate the best price/value.

A retailer's most likely successful response to the price-value conscious consumer is to 1) offer competitive pricing, 2) locate near competitors, and 3) make information readily available. Offering competitive pricing appears to be the starting point in appealing to these individuals. The other two prescriptions deal with facilitating information acquisition. First, it is imperative that store location be chosen to facilitate price comparison. This would involve locating close to primary competition – locating far from the competition may result in the retailer not being in the consumers' evaluation set. Also, given the importance given to

information, particularly price information, such information must be readily available in-store and likely online as well.

The novelty-fashion conscious consumer decision-making style was found to be negatively related with the second consumer alienation factor, informed choice, similar to the price-value consumer decision-making style. Consequently, a retailer response similar to that suggested to that used for individuals possessing a price-value conscious decision-making style as described above seems appropriate. The novelty-fashion conscious customer appears to see the value of information in the acquisition of in-fashion merchandise. Hence, retailers need to provide the fashion information necessary to attract customers to the store's products.

Lastly, the novelty-fashion conscious consumer decision-making style was also observed to be positively related to the third consumer alienation factor, personal norm. The acquisition of in-fashion merchandise, therefore, appears to be more important than the functional use of the products.

In conclusion, understanding the relationship between consumer decision-making style and consumer alienation provides insight into consumers and the manifestations of their wants and needs, especially as it concerns discretionary purchases. Since most retailers survive and prosper through the discretionary purchases of their customers and since structuring their layout to encourage discretionary purchases by their customers is an important activity to increase the probability of success, understanding the relationship between consumer decision-making style and consumer alienation seems to be of the utmost importance, particularly so since the level of alienation experienced by consumers appears to differ across consumer decision-making style.

The study possesses several limitations which may restrict the generalizability of the results. First, the sample, though active in the marketplace, was comprised of individuals from a single demographic group. The generalizability of the findings to other demographic groups is unknown. Furthermore, no attempt was made to examine subjects' actual shopping activity.

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## **The Impact of 'Brand equity' determinants on consumers' purchase decisions. A case study of the processed food sector in the national capital region of India**

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### **Key Words**

Brand equity, processed food, Brand resonance

### **Abstract**

*Empirical studies on consumption patterns provide important insights into the theoretical aspects of consumer demand, through highlighting the changing habits and preferences of consumers over the years. After seventh five year plan when the Indian economy had crossed the Hindu growth rate and especially after the implementation of GLP (Globalization, Liberalization, and Privatization), the economy has been experiencing a healthy growth of per capita income. This has given a boost to the food processing industries to grow since the Engel's elasticity of demand for processed food has been found to be more than one (Mukund 2010). The more than one Engel's elasticity of demand categorises processed food items as luxurious items and it further tells that Indian consumers will expend more and more on processed food items as their income increases. The present study examines the determinants of brand equity in the perspective of processed food products in India. The finding suggests that the Indian consumers have started recognizing the processed food brands and are showing their preferences towards certain brand fulfilling their appetite. However for different determinants of brand equity, the magnitudes of preferences are varying significantly.*

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### **Introduction**

Empirical studies on consumption patterns always explain some important insights about consumer demand through highlighting their changing habits and preferences. As economic growth takes place, the consumer's preferences change accordingly with the increasing monetary as well as real income. A significant increase in the per capita total consumer expenditure (proxy for total income) has been noted in India both at current and constant prices. This increase in the total per capita income of Indians has given a boost up for the food processing industries to grow in India, since the Engel's elasticity of demand for processed food has found to be more than one (Mukund 2010). The more than one Engel's elasticity of demand, categorise processed food items as the luxurious items and it further tells that Indian consumers will expend more and more on processed food

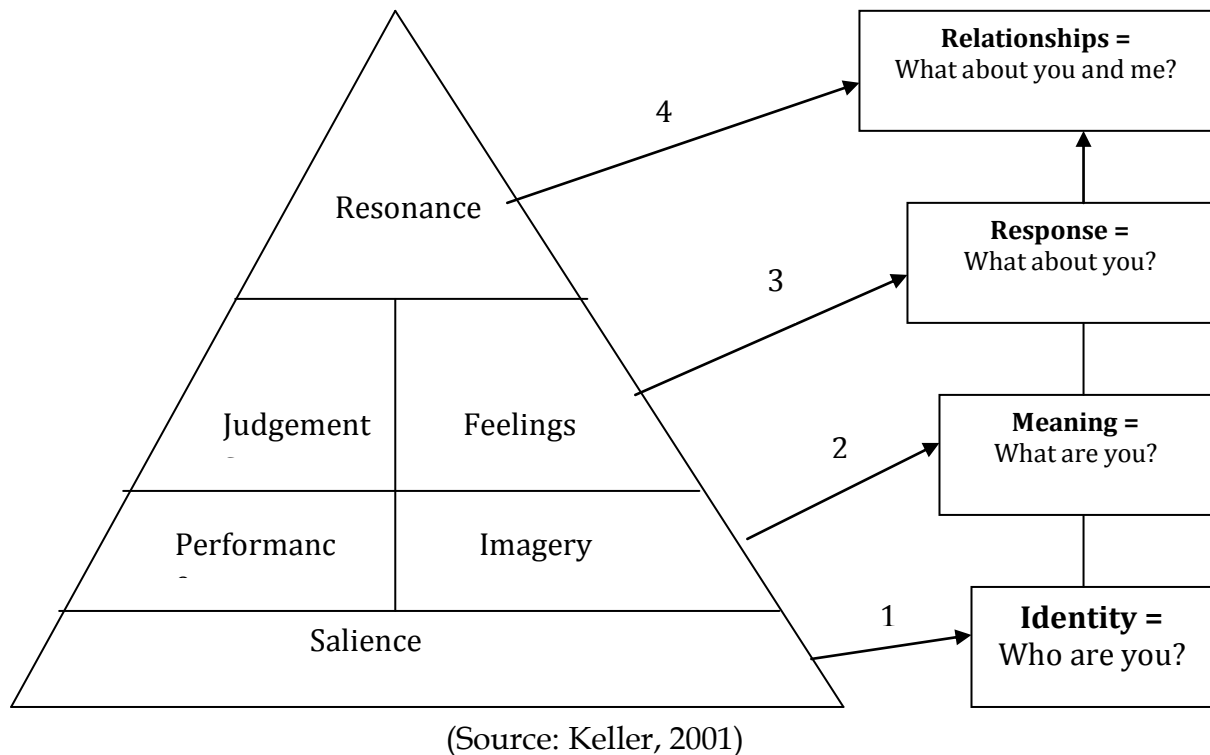
items as their income will increase. In other words the more than one Engel's elasticity of demand for any commodity means that the percentage of consumption expenditure of a consumer on the particular commodity will increase more than the percentage increase in the disposable income of the consumer. The primary sector (agriculture and allied industries) plays a vital role in Indian economy and it is regarded as the 'back bone' of the economy. India is enjoying the leading place in the world in the production of horticulture products and dairy products, the raw materials for the food processing industry. Apart from these the production of other raw materials for food processing industry is also at very good level in India. For example India is the second largest producer of fruits & vegetable in the world accounting for almost 10% of global fruits & vegetable production (annual report, 2006-07, MFPI). India produces 82 mm tones of vegetable (10.9% of global production), and 47 mm tones of fruits (8.4% of global production). As defined by ministry of food processing industry, the product head fruits and vegetable processing consists of five products- dried and persevered vegetable, mango pulp, pickle and chutney and other processed fruits and pulses. Processing for fruits & vegetable is categorized as primary processing - sorting, grading, packaging of fresh fruits & vegetable, and secondary processing - conversion into value added products like juice, concentrates, pickles, jams, chutneys, squashes, etc. The present study makes an attempt to validate the different brand equity determinant in case of processed food and then to assess their impact on brand resonance on the basis of perceived consumer perception in India.

### **Theoretical Model**

The brand equity is a multi-dimensional concept; various models of brand equity have been propounded by the earlier researchers in their respective works. Aaker Model and the Customer-Based Brand Equity (CBBE) model are among the most common models of brand equity. As per the literature reviewed for the concept of brand equity, empirical studies to test the proposed constructs in the Brand Resonance model for processed foods in the context of India are quite limited. Theoretical framework of the present study is based on the consumer based brand equity model called the Brand Resonance model developed by Keller (2001).

Figure 1: Brand Resonance model





These four constructs consist of six blocks, which were named as brand building blocks. All these six brand building blocks were arranged in a shape of pyramid.

The pyramid explains that the power of brand lies in what consumers learnt, felt, saw and heard about the brand over time. The process of moving from bottom to top of the pyramid helps in creating brand equity. Keller (2001) explained the six building blocks as follows:

- (a) Brand salience, which relates to how often the brand is evoked in the situations of purchasing and consumption.
- (b) Brand performance, the degree to which the product meets the functional needs of consumers.
- (c) Brand imagery, which relates to the extrinsic properties of the goods or services.
- (d) Brand judgments, which concentrate on the personal opinions and evaluations of consumers.
- (e) Brand feelings, which are the emotional responses and reactions of consumers towards the brand.
- (f) Brand resonance, which refers to the nature of the customer-brand relationship and the degree to which consumers believe that they are “in sync” with the brand.

- (g) As per the Brand Resonance model, consumers with true brand resonance, probably have a high degree of loyalty and energetically seek ways to interrelate with the brand and express their experiences with other customers (Atilgan, et al 2005).

## **Literature review**

There is enough literature on the brand equity worldwide and in the present study a few of them have been reviewed. However in our knowledge we could not find the study done in the context of brand equity and its impact on consumption pattern of processed food. Therefore we have concise our literature review with the brand equity.

Brand equity refers to the marketing effects and outcomes that build up to a good or service with its brand name. Recent studies on brand equity point towards the fact that most of the multinational corporations in the worldwide are focusing on brand equity in their marketing operations. Today' business world rely mostly on brand equity. In the present time, business is not restricted to boundaries of nations or cultures, but there is a concept of global market, where brands are considered as global brands.

Many contemporary studies in the context of brand equity have provided evidences of global brands, and all organizations (both tangible and intangible) wish to develop themselves as global brands. In the case of goods branding, good itself acts as a primary brand, whereas in case of services, the service provider acts as a primary brand.

In marketing discipline, brand equity has emerged as one of the critical issues to be discussed and understood (Keller, 2009, Keller, 2001, Aaker, 1996). In the literature, brand equity has been discussed by many researchers in many ways. According to Zeithaml, (1981), Brand development is imperative in service sector because of the complicatedness in differentiating products that are deficient in terms of material differences. Branding is a principal success driver for service organizations, and it plays a vital role in service marketing because strong brands increase confidence of customers in the case of invisible purchase (Berry, 2000). However even for the tangible products like processed food the brand image can play a vital role as found by some of the recent researchers.

## **Objective**

The present study makes an attempt to provide the changing consumption pattern of processed food in developing Indian economy and how the brand value of processed food products matters for the consumers in their purchasing decision. More specifically the present study aims at examining the individual impact of the five determinants of brand equity on consumers' purchasing decisions in case of processed food products. For examining that, the first objective is to validate the different determinants of brand equity in case of processed food,

and then secondly to estimate the magnitudes of these determinant for making an impact on the purchasing decision of consumers' have been set. This has been done by taking brand resonance as the independent variable and other five determinants of brand equity as dependent variables.

### **Data and Research Methodology**

The present study is based on the primary data collected through a structured questionnaire adopted from Keller, (2001). Variables under study have been taken from the previous literature and have been measured through perceptions of respondents. Stratified random sampling method has been used to collect the responses from the population respondents. A pilot study was conducted with 93 respondents, and then chronic Alpha was estimated to check the reliability of the questionnaire. The Chronbach Alpha value for six construct and for the overall questionnaire proved the reliability of the used questionnaire in Indian context. After, getting the structured questionnaire for the study, the total of 400 questionnaires was demonstrated to the potential respondents chosen from different parts of NCR (National Capital Region).

### **Data Presentation**

The questionnaire included a section on customer's profile, as various demographic and other factors were likely to influence the customer services offered by the processed food producing brands. Information on demographic characteristics may also be helpful to provide demographic differences in the consumption behaviour of processed food. A demographic profile of the respondents consisted of age, gender, marital status, educational qualifications, employment status, and monthly income. Among the respondents 58.5 percent were of the age group 16 to 35 years, and rest 41.5 percent of respondents were from 35 years or more. Majority of respondents were males with 61 percent and female respondents were about 39 percent.

The percentage of married respondents reached at 69 percent. Moreover the occupational variables showed that the respondents had major portion of professionals (61.6 percent), where as the percentage of self employment, wage employment, others were 6.4 percent, 5.2 percent, 26.8 percent respectively. In the survey it was also found that the respondents came from different income backgrounds; a major part of them (51.3 percent) earned more than Rs.25, 000, and below Rs.25, 000 were only 30.7 percent. However 18 percent of the respondents were financially dependent on others.

## Data analysis and findings

The Microsoft -Excel software package 2007, and the SPSS software package 17.0 version was used for analyzing the data collected for the present study.

**TABLE 1**  
**Reliability Coefficient for Brand Equity Constructs**

Name of Construct	Cronbach's Alpha Value
Brand Salience	0.773
Brand Performance	0.803
Brand Imagery	0.765
Brand Judgements	0.845
Brand Feelings	0.798
Brand Resonance	0.876
Overall	0.803

## Exploratory factor analysis

Exploratory factor analysis has been performed in the present study for reducing the total number of items to a reasonably small number of underlying factors. Furthermore the factors analysis performed for the present study has also helped the researcher to test that whether data collected in the context of present study are consistent with the prescribed structure taken from the literature. Factor analysis reduced the variables in six factors and these six factors found in the present study are consistent with the determinant of brand equity already found by other researchers in different context.

**TABLE 2**  
**Kaiser-Mayer-Olkin Test of Sample Adequacy and Bartlett Test of Sphericity**

Kaiser-Mayer-Olkin measure of sample adequacy		0.889
Bartlett test of Sphericity	Approx. Chi-Square	1911.123
	Significance	0.000

The Kaiser-Mayer-Olkin (0.893) and Bartlett's Test of Sphericity (Chi-square 1943.231, significance 0.000) prove that factor analysis done with the brand equity related variables was effective. Six factors were extracted using the methods of principal component analysis.

The extracted six factors explained 69.53% of the total variance. Principal Component Analysis using varimax rotation with Kaiser Normalization was performed to find the dimensionality of the data set collected. The loadings of the factors identified in factor analysis were stable. Each of the variable loaded high on a single factor. Cut-off point was 0.40 for factor structure matrix.

**TABLE 3**  
**Factor loadings matrix**

<b>Variables</b>	<b>Factor Loading</b>					
Brand Resonance 1		0.42		0.83		0.53
Brand Resonance 2				0.79		
Brand Resonance 3				0.85		
Brand Resonance 4	0.49			0.83		0.45
Brand Resonance 5				0.76		
Brand Resonance 6				0.79		
Brand Resonance 7				0.73		
Brand Judgement 1		0.72				
Brand Judgement 2		0.66				0.41
Brand Judgement 3		0.66				
Brand Judgement 4		0.79				0.49
Brand Judgement 5		0.84		0.55		
Brand Judgement 6		0.81				
Brand Judgement 7		0.73				
Brand Feeling 1						0.83
Brand Feeling 2						0.81
Brand Feeling 3		0.41				0.75
Brand Feeling 4						0.71
Brand Performance 1			0.51		0.80	
Brand Performance 2					0.72	
Brand Performance 3	0.41				0.87	
Brand Performance 4					0.84	
Brand Performance 5		0.44			0.75	
Brand Performance 6					0.72	0.50
Brand Performance 7					0.71	
Brand Performance 8					0.81	
Brand Imagery 1	0.61		0.45			
Brand Imagery 2	0.66					
Brand Imagery 3	0.72				0.45	
Brand Imagery 4	0.75					
Brand Salience 1			0.90			

Variables	Factor Loading					
Brand Salience 2	0.41		0.81			
Brand Salience 3			0.84		0.47	
Brand Salience 4			0.81			0.46

Exploratory factor analysis results give six relevant factors in building the brand equity for processed food Indian context. The study used brand equity construct proposed in the Brand Resonance Model by Keller (2001). The six factors, which form the predictors of service brand equity are brand salience, brand performance, brand judgment, brand feelings and brand resonance. Among these variables, strong, significant and positive correlation was found among brand performance and brand judgment, brand feelings and brand resonance. In addition, brand judgment is found positively related to brand feelings and brand resonance. A strong, significant, and positive relationship between brand feelings and brand resonance was also evident from correlation results.

### Multiple regression analysis

Multiple regression model has been estimated in the present study to relate the construct of brand resonance with other brand equity constructs. For the purpose of developing the regression equations, the five brand equity factors such as brand salience; brand performance; brand imagery; brand judgements; brand feelings were taken as the independent variables and the brand resonance as the dependent variable.

The estimated regression model for the present study

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \mu_i$$

Where;

Y is the factor scores of Brand resonance factor

X<sub>1</sub> is the factor scores Brand Salience factor

X<sub>2</sub> is the factor scores Brand performance factor

X<sub>3</sub> is the factor scores Brand Imagery factor

X<sub>4</sub> is the factor scores brand Judgments factor

X<sub>5</sub> is the factor scores brand feelings factor

And  $\mu$  is the random error term

**Estimated regression equation in the present study provides the following estimates of coefficients**

Brand resonance = -0.283 + 0.498 Brand Performance + 0.473 Brand Imagery + 0.308 Brand Judgements + 0.138 Brand salience + 0.092 Brand feeling.

Overall R square for the estimated regression model was 0.676, with F-value significant at 1% significance level.

**TABLE 4**  
**Multiple Regression Results**

<b>Independent Variable</b>	<b>Unstandardized Beta</b>	<b>Standard Error</b>	<b>t-Value</b>	<b>Sig.</b>
Constant	-0.283**	0.053	-5.340	
Brand Performance	0.498**	0.053	9.396	0.000
Brand Imagery	0.473**	0.053	8.925	0.000
Brand Judgements	0.308**	0.053	5.811	0.000
Brand Salienc	0.138**	0.053	2.604	0.010
Brand Feelings	0.106*	0.053	2.000	0.048
**Significant at 1 percent level of significance, * Significant at 1 percent level of significance. R square = 0.676, F value significant= 0.000				

The above table it is evident that brand performance (0.498) emerged as most important determinant of brand resonance followed by brand imagery (0.473), brand judgements (0.308) and brand salienc (0.138). Brand coefficient for brand feeling emerged as insignificant determinant of brand equity at 1 percent level of significant. However, estimated probability value of the brand feeling factor showed that, it is significance at 5 percent level of significant (Table 4). Possibly this is an indication that in case of processed food products in India consumers are yet to relate themselves sentimentally with the products.

Building the relationship between the service provider and consumers, brand feelings is one of the important factors and it requires a fair understanding of the brand. In the present study, performance of the brand, brand imagery, and brand judgements emerged as very important determinants of brand resonance from consumers perspective.

## **Conclusion**

In order to satisfy the customers, processed food producers should think about customized services in delivering the products to the consumers and in addition to those, they can also work out the possibilities of rewards to delight their customers or attract them for patronizing the brand. On the basis of the findings from the present study we can conclude that all the five determinants of brand equity are significantly contributing to the positive brand resonance of the Indian consumers. However the magnitude of different determinants are varying, and in case of brand feeling it is not highly significant. Therefore the producers are advised to work on these issues in order to attract more and more customers towards their brand.

## **Research Limitation and direction for the future study**

The present study has been carried out by collecting the data only from the NCR (National Capital Region) region. However it will be more interesting to find

out the impact of brand equity determinants on consumers' perception about the processed food brands by collecting the data from some other regions also, like from South India. In that case one can also compare the impact of these determinants; that whether the magnitudes of the determinants are same or different in two regions.

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## **Impact of retail services on retail sales**

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### **Keywords**

**Retail - Retailing - Retail Services - Customer Satisfaction**

### **Abstract**

*Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. Retailing does activities by organizing availability of products and services on a relatively large scale and supplying them to customers on a relatively small scale. Retail service is a series of activities designed to enhance the level of customer satisfaction i.e., the feeling that a product or service has met the customer expectation. Its importance varies by product, industry and customer; for instance, defective or broken merchandise can be exchanged. In order to find out the correlation between retail customer service and sales of the retail outlet, this study has been undertaken. The objective is to review different retail services offered by retailers in India. The study also attempts to find out customer satisfaction levels with respect to retail services and to find out impact of retail services on sales. Finally there are recommendations for better retail value added services to the customers.*

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### **Introduction**

Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. Retailer is a Person or Agent or Agency or Company or Organization who is instrumental in reaching the Goods or Merchandise or Services to the End User or Ultimate Consumer. Retailing makes products and services available on a relatively large scale and supplying them to customers on a relatively small scale. The word "Retail" originates from a French-Italian word 'Retailer' meaning someone who cuts off or sheds a small piece from something.

Retailing is one of the pillars of the economy in India and accounts for 35 percent of GDP. According to ETIG (Economic Times Intelligence Group) estimates, the size of the organized retail industry was about Rs. 160 billion in 2001-02. The retail industry is divided into organised and unorganised sectors. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sq.ft (46 sq.m2) in size. Organised retailing refers to trading activities

undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Most Indian shopping takes place in open markets and in millions of independent grocery shops called kirana. Organized retail such as supermarkets accounts for just 4 percent of the market as of 2008 statistics. Regulations prevent most foreign investment in retailing. Moreover, over thirty regulations such as "signboard licenses" and "anti-hoarding measures" may have to be complied before a store can open doors. Further more, there are taxes for moving goods from one state to another state and even for movement within the state.

“Retail service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation”. Retail Service activities mainly includes providing product inform, providing information on current offers, door delivery service, after sales services like alteration of cloths, processing guaranties and warranties on consumer electronics and furniture, attending customer complaints, announcements of current offers, instant billing without waiting, parking facility for all vehicles, sales people availability in each department, availability of all required products, providing exchange facility on some goods etc.

### **Need for the Study**

Retailing is the most active and attractive sector from the last decade. While the retailing industry itself has been present since ages in our country, it is only in the recent past that it has witnessed so much of dynamism. The emergence of retailing in India has more to do with the increasing purchasing power of buyers, especially in the post-liberalization era. Increase in product variety and increase in economies of scale with the aid of modern supply and distributions solution gave way for these new trends. Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges. The biggest challenge is how to retain the current customer and how to gain a new one. Retail services can answer many questions by providing the value added services to the core products or services that are there in the outlet. Hence it is proposed to study the impact of retail services on the retail sales.

### **Objectives of the study**

The objective of this study is to review different retail services offered by the retailers in India. This study attempts to find out customer satisfaction levels with respect to retail services and also finds out impact of retail services on sales of

the retail outlet. Finally offering suggestions to provide better retail services to customers and thereby increase sales.

### **Methodology of the study**

A structured questionnaire has been designed to collect the data from a sample of 300 customers in the city of Hyderabad usually referred as mini-India which reflects the citizens from all states in India also consisting of all religions, different social castes. The primary data was collected from customers of small, medium and corporate retail outlets in the city. The secondary data was collected from various in-house magazines of corporate outlets, retail journals, marketing journals etc. The Statistical tools like simple average method, percentage method, weighted average method etc were used to analyse the response.

### **Profile of the Study Area**

Hyderabad is the fifth largest metropolis in Indian and is the capital city of the state Andhra Pradesh, India. The city was founded by Muhammad Quli Qutb Shah in the year 1590. It is geographically placed at 17° 20' Northern latitude and 78° 30' Eastern longitude. The city acts as a shopping center for all varieties of products and services it draws customers from various parts of the state and is main distributing hub. Hyderabad retail space is exploding with single brand retail outlets, multi branded stores, shopping complexes and Malls.

### **Review of Literature: Retail Services**

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996). There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (e.g., Berry, 1986). Since services are intangible, heterogeneous, and inseparable, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman, Zeithaml and Berry, 1985) is the most prominent and the most widely used. Parasuraman, Zeithaml and Berry, defined Service Quality as "A global judgment or attitude, relating to the overall superiority of the service". The characteristics of services like Intangibility, Perishable, Inseparability and Heterogeneity make measuring service quality indefinable and abstract. Service quality and customer satisfaction are of high importance to the marketing theory and practice and it is the ultimate goal of all service providers. This is because Service quality is characterized by the 'Customer perception' of service (Lewlyn, Gopalakrishna, Varambally, 2009). What counts is the quality as it is perceived by the customers i.e. the customers are the sole judge of quality (Berry 1980). Cronin and Taylor (1992, pp. 55-68) measured customer satisfaction as a one-item scale that asks for the customer's overall feeling towards an organization.

Key service elements combine to create the service concept and its value proposition for customers. During service operations failures, employee interactions with customers are a critical service element in restoring customer satisfaction (Anderson, Baggett, Widener, 2007). Salmon (1989) argued that execution in retailing has become more important than other aspects of retail business (e.g., merchandising). Fisher et al. (2000) found that for short lifecycle products, such as fashion apparel, retailers are most successful if they can work with suppliers who can provide initial shipments of product based on forecasts, but then rapidly increase production to the right style, color, size, etc. based on actual sales.

Philip Mitchell (2008) defined Retail Services as the sum of acts and elements that allow consumers to receive what they need or desire from your retail establishment. Retail service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation. Its importance varies by product, industry and customer; defective or broken merchandise can be exchanged, often only with a receipt and within a specified time frame. Retail stores will often have a desk or counter devoted to dealing with returns, exchanges and complaints, or will perform related functions at the point of sale.

### **Layout of a Retail Self-Service Activity:**

The first consideration in installing a self-service operation is a preconceived, well-thought-out plan. To plan an efficient and attractive layout for a retail service activity, you must keep the following three objectives in mind.

1. Proper and intelligent circulation of customer traffic throughout the entire store.
2. Traffic-stopping, appealing displays of conveniently placed merchandise that will result in sales. (Merchandise that is seen and handled is half sold.)
3. Strategically placed equipment to perform a two fold function
4. a. To lead the customer, after the selection has been made, through a convenient, rapid, efficient checkout procedure; and
5. b. To provide adequate store protection from pilferage. All equipment should be placed to focus exits through one narrow point; thus, adequate security is provided .

Customer service is normally an integral part of a company's customer value proposition. In their book, *Rules to Break and Laws to Follow*, Don Peppers and Martha Rogers, Ph.D. (2008) wrote that "customers have memories. They will remember you, whether you remember them or not." Further, "customer trust can be destroyed at once by a major service problem, or it can be undermined one day at a time, with a thousand small demonstrations of incompetence". From the point of view of an overall sales process engineering effort, customer service plays an

important role in an organization's ability to generate income and revenue. From that perspective, customer service should be included as part of an overall approach to systematic improvement. Some have argued that the quality and level of customer service has decreased in recent years, and this can be attributed to a lack of support or understanding at the executive and middle management levels of a corporation and/or a customer service policy. To address this argument, many organizations have employed a variety of methods to improve their customer satisfaction levels, and other KPIs. Retail sales activities mainly includes following activities:

- Providing product information
- Providing information on current offers
- Door delivery service
- After sales services like alteration of cloths
- Processing guaranties and warranties on Electronics and furniture
- Attending customer complaints
- Announcements of current offer
- Instant billing with out waiting
- Parking facility for all vehicle
- Sales people availability in every department
- Availability of all required products
- Providing exchange facility on some goods and etc.

Further the retail services can be classified as Pre-purchase services, Post-purchase Services and Ancillary Services as shown in the table 1.

<b>Table 1: Types of Retail Services</b>		
Pre-purchase Services	Post-purchase Services	Ancillary Services
Convenient Shopping hours	Exchanges, Adjustments	Providing Information
Advertisement of Offers	Guarantees & Warranties	Repairs & Service
Attractive Interior Display	Door Delivery	Credit Facility
Fashion shows	Shipment	Free parking
Telemarketing Services	Tailoring, Alterations	Providing Rest rooms
Trade-ins	Installations	Baby care services
Window display of new ones	Engraving	Food courts in premises
Mail order delivery	Returns	Plastic Money
Trail / Fitting rooms	Gift wrapping	Interior decorating
Source: Secondary Data Sources of selected retail out lets in study area.		

### **Data Analysis and Discussions**

- (a) Out of the total sample, 71 percent of respondents are male and remaining 29 percent are female, in the metro city like Hyderabad, most of customers visiting retail outlets are males.

- (b) **Age group of respondents** - 4 percent are below 18 years of age, 55 percent are in between 18 to 30 years of age, 35 percent are of 30 to 50 years of age group and 6 percent of respondents are above 50 years of age. So the retailers has to concentrate on the age group of 18 years to 30 years of age.
- (c) **Details of Customer Occupation** - 43 percent respondents are Private Sector Employees, 16 percent are of Government Sector, 12 percent are Self-Employed and remaining 27 percent are others like businessmen, farmers, daily wage workers etc. The majority of customers visiting retail outlets in study area are private sector people and then daily wage workers.
- (d) **Family structure** - 28 percent of respondents belong to the family with less than four members, 41 percent are of family with four members, 21 percent are with five member family, and 10 percent are of family with more than five members.
- (e) **Income levels** - 16 percent of respondents are with below 15000 INR per month, 51 percent are with income in-between 15000 INR – 30000 INR per month, 23 percent are with income in-between 30000 INR – 50000 INR and 10 percent are earning more than 50000 INR per month. It can be inferred that most of the customers visiting retail outlets in study area are of middle class income people.
- (f) **Average Purchase per month** - 18 percent of respondents are purchasing goods worth of 1000 INR per month, 71 percent of respondents purchasing in-between 1000 INR to 5000 INR, 9 percent of respondents purchase-levels in between 5000 INR to 10000 INR and 2 percent of respondents are purchasing goods of worth more than 10000 INR. It can be inferred that most of the customers' average purchase per month is in-between 1000 INR to 5000 INR.
- (g) **Customers Frequency of Visiting the Store** - 2 percent of respondents are daily visiting the store, 30 percent are visiting one day a week, 41 percent are visiting once in a month, 4 percent visit twice a week, 20 percent are visiting twice a month and remaining 3 percent are visiting not frequently or they are non-locals to the study area.
- (h) **Average Distance from House to Retail Store** - 21 percent of respondents are from less than 1 km away from retail store, 18 percent are from 2 km away from retail store, 14 percent are 3 km away from retail store, 7 percent are 4 km away from retail store, 15 percent are 5 km away from retail store and 25 percent are more than 5 km away from retail store. So it can be inferred that distance from home to retail out let does not a matter to shop in the retail out.
- (i) **Customer Satisfaction Levels During Purchasing Goods** - 9 percent of respondents are highly satisfied during purchase of goods, 88 percent of respondents are slightly satisfied during the purchase of goods and 3

percent are dissatisfied during purchase of goods in respective retail outlets in Hyderabad.

- (j) **Customer Satisfaction Levels After Purchasing Goods** - 10 percent of respondents are highly satisfied after purchasing goods in the retail outlet, 84% are slightly satisfied after purchase whereas 6 percent are dissatisfied with purchase of goods in the respective outlets in Hyderabad.
- (k) **Customer Satisfaction Levels of overall Retail Services** - 6 percent of respondents are highly satisfied with retail services of outlet, 89 percent are slightly satisfied with retail services of outlet whereas 5 percent are dissatisfied with retail services of outlets in Hyderabad.
- (l) The following Table (2) shows Customer Satisfaction levels with respect to various retail services.

Type of Retail Service	Outstanding	Excellent	Good	Poor	Worst
Providing product information	4%	14%	63%	14%	5%
Providing information on current offers	7%	15%	56%	20%	2%
Door delivery service offered by store	5%	14%	45%	28%	8%
Post purchase service offered by store	3%	17%	59%	17%	4%
Processing guaranties and warranties	6%	13%	59%	10%	12%
Attending customer complaints	6%	17%	54%	16%	7%
Announcement of current offers	10%	25%	45%	13%	7%
Instant billing without waiting	4%	9%	28%	45%	14%
Parking facility for vehicle	7%	15%	33%	25%	20%
Sales people availability in the department	6%	19%	47%	22%	6%
Availability of require products and brands	7%	16%	46%	19%	12%
Overall Satisfaction Levels of Retail Services	6%	16%	49%	21%	9%

Source: Field Study

From the above table it can be interpreted that the retail outlets are making the customers feel good with its retail services but also there are best services with 6 percent and worst services with 9 percent.

### Recommendations

The following recommendations are given to improve the retail services based on the study.

Most of the customers who are visiting store are male so retail stores should try to attract female customers.

- Store has to improve its promotion strategies so as to attract middle-income group customers also.
- The services that are offered by store have to reach the customers properly through effecting promotion strategies.

- Providing product information has to be made clear to customers for picking up easily.
- All the products must be attached with signage for the best communication of offers and discounts.
- Most of the customers are shopping due to all-in-one shopping availability. So it will be better to maintain all the brands of product lines.
- Maintain communication signage for door delivery; Alteration Desk and Customer Service Desk (C.S.D) should also be promoted for the best service.
- Take feedback regularly from the customers to know their satisfaction levels.
- Announcement of current offers leads to customer to particular department. So it is better to maintain all days and all the departments, if there are any offers.
- Checking of bar codes before display is best thing for instant billing with out waiting the customers.
- Make signage and maintain manpower in the parking place for better services.

## **Conclusion**

Retail stores belong to service industry, which offer a hybrid of goods and service, thus retail product management not only have the common characters of goods quality but also have the special characters of services quality. The services which are offered by the store are not good enough, but the implementation of planning and process has to be optimized. The services offered of retail store are to improve sales and to make customers as loyal to store so that the store can be compete with global standards. The store should attract young customers who purchase for themselves and also for family. Besides that the store has to concentrate on attracting all types of customers. Main customers of store belong to above middle income level, those are the main contributors for revenue of the store. The services offered are not reaching to customers in proper way. Processing guaranties and warranties are important services which most of customers are expecting from outlet. A Store can offer wide range of product line for its customers but if the products need to be sold, the retail services are secreting success for the store to be as one the leading stores.

## **Research limitations and direction for further research:**

The study was conducted in the city of Hyderabad so that generalisation can not be made for all retail outlets in the India. There is a scope for conducting the same study allover India so that exact conclusions can be drawn.



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## **The relationship between the ``Big Five`` personality traits and customer satisfaction: A case study of Melli Bank Kerman, Iran.**

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### **Key words**

Extraversion personality, Neurotic personality, Agreeable personality, Openness to experience, Conscientious personality, Customer relationship management and customer satisfaction.

### **Abstract**

*Since many years ago, customer satisfaction is a common subject for organizations because it makes organization success and also many researchers consider customer relationship management as an essential factor on customer satisfaction. In this study, we want to identify the relationships between customer personality, perceived customer relationship management and customer satisfaction. Statistical universe is customers of Melli Bank of Kerman, Iran and sample contains 80 individuals of whom. We used library method to collect literature and data obtained a questionnaire with 28 questions. Pearson correlation and Regression relation between Extraversion personality customer, Neurotic personality customer and perceived customer relationship management. There is a positive relation between Agreeable personality, Conscientious personality customer, Openness to experience customer and perceived customer relationship management. Also, there is a positive relation. Results of this study can help to organization to be success by understanding differences between customers.*

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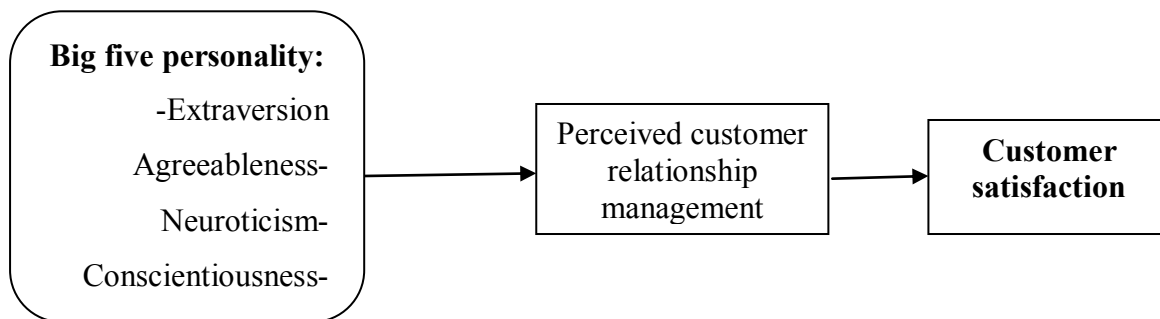
### **Introduction**

Many of organization managers have understood that customer satisfaction is the most important factor for succession of their activities. Customer satisfaction depends on some factors. Some studies have mentioned that customer relationship management is on of them.

The disappointing results from many customer relationship management (CRM) implementations are well documented in both the academic and business press. A 2003 Gartner study estimates that 70% of CRM projects result in either losses or no bottom line improvement. According to a 2001 Bain and Company survey of 451 senior executives, one in every five users reported that their CRM

initiatives not only failed to deliver profitable growth, but also had damaged long-standing customer relationships. Despite this evidence, several industry groups have estimated that billions of dollars are being spent on CRM annually. Gartner research suggests that there was a reduction in CRM spending between 1999 and 2003 (Rigby & Ledingham, 2004), but most estimate an increase in CRM spending. Current spending on CRM-related projects is estimated around \$10 to \$15 billion and experts predict future growth in CRM spending to reach \$75 billion and beyond over the next several years (Chatham, 2002; Winer, 2001). CRM is based on the principle that developing a relationship with customers makes them loyal. CRM is a strategic concept which makes customer satisfaction, loyalty, customer retention and profitability. Customer relationship includes services satisfaction initiatives, services loyalty programs. Customer retention program enhanced customer life time profitability. (Haq, Ramay, U Rehman, Ahmed Jam, 2010)

The customer satisfaction model depends upon analysis of customer needs, expectations and interaction with the organization and its services. Customer satisfaction model is primarily related with customer relationship management in order to have the feedback about the perception of a customer about the organization and its perceived performance and meeting the expectations. Personality is another important area of study in the organization literature. Personality itself is defined differently. However, Big Five model of personality is widely accepted measure for the identification of personality of individuals (Haq, Ramay, U Rehman, Ahmed Jam, 2010). In this study, we proposed a model that shows the relationships between big five personality, customer relationship management and customer satisfaction. It is according below:



**Figure 1-** Model of customer satisfaction

### **Customer satisfaction**

Customer satisfaction is defined by the sum of the discounted life time values of all of its customers (Wu, Batmunkh, 2010). Many researchers have looked into the importance of customer satisfaction. Kotler (2000) defined satisfaction as: "a person's feelings of pleasure or disappointment resulting from comparing a product are perceived performance (or outcome) in relation to his or her

expectations". Hoyer and McInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight.

### **Customer relationship management**

CRM is a process designed to collect data related to customers, to grasp features of customers and to apply those qualities in specific marketing activities. Researchers suggest that CRM is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. It focuses on leveraging and exploiting interactions with the customer to maximize customer satisfaction, ensure return business and ultimately enhance customer profitability. Generally, CRM is defined as an interactive process that achieves an optimum balance between corporate investments and the satisfaction of customer needs to generate the maximum profit. (Roy and Stavropoulos, 2007)

Jackson (1985) suggests CRM to mean "marketing oriented toward strong, lasting relationships with individual accounts." Payne (2000) asserts that CRM is concerned with "the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value." CRM is a concept which incorporates the outcomes of satisfaction, loyalty, customer retention and profitability while relying on technology to harness market relevant data and guide decision making.

### **Big Five personality**

Personality has been conceptualized from a variety of theoretical perspectives, and at various levels of abstraction or breadth (John, Hampson, & Goldberg, 1991; McAdams, 1995). Each of these levels has made unique contributions to our understanding of individual differences in behavior and experience. However, the number of personality traits, and scales designed to measure them, escalated without an end in sight (Goldberg, 1976). After decades of research, the field is approaching consensus on a general taxonomy of personality traits, the "Big Five" personality dimensions. These dimensions do not represent a particular theoretical perspective but were derived from analyses of the natural language terms people use to describe themselves and others. Rather than replacing all previous systems, the Big Five taxonomy serves an integrative function because it can represent the various and diverse systems of personality description in a common framework. It thus provides a starting place for vigorous research and theorizing that can eventually lead to an explication and revision of the descriptive taxonomy in causal and dynamic terms (John, Robins, 1998). They are: Extraversion, Agreeableness, Neuroticism, Conscientiousness, Openness to Experience.

**"Extraversion"** is an aspect of personality that includes characteristics such as sociability, talkativeness, assertiveness, and ambition (Barrick and Mount, 1991).

**"Openness to experience"** characterizes someone who is open to novel experiences and ideas and who is imaginative, innovative and reflective (McCrae, 1987; Costa and McCrae, 1992).

**"Agreeableness"** characterizes someone who is cooperative, trusting, forgiving, tolerant, courteous and soft-hearted (Barrick and Mount, 1991).

**"Neuroticism"** trait is associated with dependability, hard work and perseverance (Barrick and Mount, 1991).

**"Conscientiousness"** reflects the tendencies of achievement, hardworking, responsibility and dependability. They tend to be more risk averse and form long term relationships. Conscientious peoples always prefer an environment where they have better opportunities for accomplishment and success. Literature suggest that conscientiousness is strongly and consistent correlate to job performance and job satisfaction . (Barrick and Mount, 1991; Mount and Barrick, 1995; Salgado, 1997).

## Hypotheses

**H1:** There is a positive relation between Extraversion personality customer and perceived customer relationship management.

**H2:** There is a positive relation between Agreeable personality and perceived customer relationship management.

**H3:** There is a positive relation between Conscientious personality customer and perceived customer relationship management.

**H4:** There is a negative relation between Neurotic personality customers and perceived customer relationship management.

**H5:** There is a positive relation between Openness to experience customer and perceived customer relationship management.

**H6:** There is a positive relation between Perceived customer relationship management and customer satisfaction.

## Variables

In this study, we consider five independent variables as Extraversion , Agreeable, Conscientious, Neurotic and Openness to experience personality and one mediator variable as perceived customer relationship management. Dependent variable is customer satisfaction.

## Methodology

We used library method to collect literature and data were collected through a questionnaire with 31 questions. The five-point categorical Likert scales (Strongly agree, Agree, Uncertain, Disagree, Strongly disagree) employed to measure each construct of both stages. A total of 80 questionnaires was completed by customers of Melli Bank of Kerman in 2010. We used alpha Cronbach to assess reliability. Reliability for each variable is according below:

**Table 1**  
**Reliability of each variable**

Variable	Alpha Cronbach
Extraversion personality	0.72
Agreeable personality	0.70
Conscientious personality	0.71
Neurotic personality	0.82
Openness to experience personality	0.78
perceived customer relationship management	0.83
customer satisfaction	0.81

According of above amounts, all of them have acceptable reliability and questionnaire has acceptable reliability with 0.79. We used Pearson correlation and Regression analyze to assess hypotheses.

## Data analysis

Descriptive analyzes are according below:

**Table 2**  
**Descriptive analyzes**

Variables	Mean	Std.Deviation	N
Extraversion personality	4.00	.52	80
Agreeable personality	3.78	.22	80
Conscientious personality	3.77	.34	80
Neurotic personality	3.76	0.21	80
Openness to experience personality	3.76	.22	80
perceived customer relationship management	3.84	.27	80
customer satisfaction	3.64	0.25	80

We used regression analyze to assess hypotheses 1, 2, 3, 4, 5. Findings were shown in table 3

**Table 3**  
**Regression analyze of Extraversion, Agreeable, Conscientious, Neurotic, Openness to experience and Perceived Customer Relationship Management**

Adjusted R <sup>2</sup>	R <sup>2</sup>	r	Sig of t	Standardized beta	t	B	Independent variable	Dependent variable
0.02	0.03	-0.18	0.000	-0.52	-.96	0.6-	Extraversion personality	Perceived customer relationship management
0.01	0.02	0.14	0.001	0.21	2.40	0.22	Agreeable personality	
0.03	0.04	0.21	0.000	0.25	3.12	0.26	Conscientious personality	
0.08	0.11	-0.33	0.002	0.65	-0.81	-0.7	Neurotic personality	
0.01	0.02	0.14	0.000	0.51	.47	0.06	Openness to experience personality	

Findings indicate that:

- There is a negative relation between Extraversion personality and Perceived customer relationship management ( $r = -0.18$ ,  $B = -0.6$ ,  $\text{sig} = 0.000$ ). Thus first hypothesis is rejected.
- There is a positive relation between Agreeable personality and Perceived customer relationship management ( $r = 0.14$ ,  $B = 0.22$ ,  $\text{sig} = 0.001$ ). We can conclude second hypothesis is accepted.
- There is a positive relation between Conscientious personality and Perceived customer relationship management ( $r = 0.21$ ,  $B = 0.26$ ,  $\text{sig} = 0.000$ ). Thus, third hypothesis is accepted.
- There is a negative relation between Neurotic personality and Perceived customer relationship management ( $r = -0.33$ ,  $B = -0.7$ ,  $\text{sig} = 0.002$ ) and hypothesis 4 is accepted.
- Finally, there is a positive relation between Openness to experience personality and Perceived customer relationship management ( $r = 0.14$ ,  $B = 0.06$ ,  $\text{sig} = 0.000$ ). Thus hypothesis 5 is accepted.

Also we used Pearson correlation to assess hypothesis 6 and was shown in table 4.

**Table 4**  
**Pearson Correlation Analysis**

Perceived customer relationship management		
Sig(one tailed)	Pearson correlation	
0.03	0.73	Customer satisfaction

According table 4, there is a positive relation between perceived customer relationship management and customer satisfaction ( $r= 0.73$  and  $\text{sig}= 0.03$ ) and hypothesis 6 is accepted.

## Discussion

In contemporary era, customer and their satisfaction is the key of succession of organizations and companies. Customer relationship management is another concept that is related to customer satisfaction. But we should consider differences in personality of customers. Hence in this study ,we want to examine the relation between Big Five customer personality, customer relationship management and customer satisfaction .Findings indicated there is a positive relation between Agreeable personality, Conscientious personality, Openness to experience personality and perceived customer relationship management( $B=0.22$ ,  $B= 0.26$  ,  $B= 0.06$ ) . Also, there is a negative relation between Extraversion personality, Neurotic personality and perceived customer relationship management ( $B=-0.6$ ,  $B= -0.7$ ).According the results of Pearson correlation analysis, there is a positive relation between perceived customer relationship management and customer satisfaction. ( $r= 0.73$ )

This study can guide managers to understand the way of succession and implementation a suitable customer relationship management program.

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## **Does an ATM surrogate a branch of a Bank in India?**

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### **Keywords:**

Automatic Teller Machine (ATM), Indian Commercial banks, Branches.

### **Abstract**

*According to survey conducted by Retail Banking Research, the number of ATMs world wide as on 2005 were 1,544,853, which may cross two millions by the end of 2001. This figure clearly, shows the tremendous growth of ATMs during the years. Very interesting to see Asia Pacific region found the largest regional ATM market with 32.30 per cent of the global ATM market. The ATM density in India is far lower than that of the other developing countries, however ATM installation is growing at a rapid pace in the country. Currently India has an ATM penetration of about 0.04 per 1,000 people. In India, Nationalized banks accounted for the largest share of the total installed ATMs. With regard to the installation of the off-site ATMs New Private Sector Banks had a largest share while nationalized banks occupied largest share in onsite ATMs installation. Some banks have started mobile ATMs in order to reach remote areas that may not have a large enough population. Interestingly the ratio of ATMs to total branches of the respective branches is tremendously increased after 2005.*

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### **Introduction**

The first mechanical cash dispenser was developed and built by Luther George Simjian and was installed in 1939 in New York City by the City Bank of New York, but it was removed after six months due to the lack of customer acceptance. Thereafter, the history of Automatic Teller Machines (ATMs) paused for a period of more than twenty five years. Then, De La Rue developed the first electronic ATM in 1967 by Barclays Bank at Enfield Town in North London. In 1968, the networked ATM was pioneered in Dallas and Texas. In 1987, Hong Kong and Shanghai Banking Corporation (HSBC) installed the first ATM in India. In subsequent years, Indian Bank and Citi Bank introduced ATMs at various locations.

While ATMs facilitate a variety of banking transactions for customers, their maximum usage involves depositing and with draw of money from bank accounts and balance enquiry. But in India ATMs are performing many functions like a vending machine, railway ticket counter, zipp money centres and also in the filed of microfinance. ATMs are known by various names including automated banking machine, money machine, bank machine, cash machine, hole-in-the-wall, cash point, Bancomat (in various countries in Europe and Russia), Multibanco (after a registered trade mark, in Portugal), and 'Any Time Money' in India.

The ATM industry in India is among the fastest growing industries in Asia-pacific region. State Bank of India in a unique advancement in ATM technology has led to newer and better versions of ATM hardware and software to support differently abled people to transact over ATMs. State Bank of India introduced a novel channel for banking in a unique way by starting floating ATM on 9 February 2004 on a Jhankar Ferry boat plying between Ernakulum and Vypeen. Braille compatible ATMs are being deployed by banks. Further, talking ATMs which support voice instructions to assist illiterate or differently abled people to transact over an ATM are also opened by banks. Banks in India have started introducing Biometric Automatic Teller Machines (BATMs) as it seems to be an effective way of preventing PIN theft and is also a channel to expand a bank's reach to the rural and illiterate masses. Union Bank of India installed first biometric ATM as 'Kisan ATM' at Sivanganga branch in Tamilnadu. Dena Bank in Gujarat, Andhra Bank in twin cities of Hyderabad and Corporation Bank introduced talking biometric ATMs, which can talk to the farmers in their local language. Vortex's solar powered Gramateller Duo in collaboration with IIT Madras is now slowly changing the face of banking with its new low power, rugged and reliable, low cost ATMs with inbuilt bio-metric capabilities for semi-urban and rural areas. Voltex Company has already established four solar powered ATMs for pilot study in Cuddalore District of Tamilnadu. Currently these machines are utilized by the local administrators to pay the beneficiaries of the National Rural Employment Guarantee Schemes. These ATMs may reduce carbon-dioxide emissions by at least 18,500 Kg per year, further more they save 1,728 units of power per month. (According to V.Vijay Babu, CEO & Director, Vortex Engineering).

ATM was a novelty in Indian banking industry ten years ago, but with the entry of private sector banks, ATMs mushroomed in the urban landscape. Private sector banks deployed ATMs aggressively and saw their customer base expanding. Subsequently, even public sector banks followed the suit by installing increasing number of ATMs. In the last couple of years, there has been an immense competition among banks.

With the sheer convenience and ease of use, ATMs have today secured a comfortable place in the customers' mindscape. World Wide, ATMs have been the

killer solutions for the banking sector that has revolutionalised the way transactions is carried out. Similarly, in India too in the last couple of years ATMs have changed the face of banking services. No wonder that banks are looking at bringing in advanced technologies. As they go forward, multinational ATMs will hold the key in the immediate future. Hence it is an attempt to study the growth of Global ATM market, ATMs position in India, and to recommend some suggestions to perk up the banking services (to the people).

The use of plastic money is increasing day by day for payment of shopping bills, electricity bills, school fees, phone bills, insurance premium, traveling bills and even petrol bills. The convenience and safety that credit cards carry with their use has been instrumental in increasing both credit card volumes and usage. This growth is not only in positive use of the same but as well as the negative use of the same. The people are experiencing some of the frauds in ATM usages. Some of the common frauds are once an inserted card is struck a fraudster pretending as a genuine cardholder will suggest that the intended victim re-enter his or her security code. When the cardholder ultimately leaves in despair, the fraudster retrieves the card and enters the code that he has watched clandestinely. Use of fake cards using data collected from tiny cameras and devices called "skimmers" that capture and record bank account information use of "duplicate ATMs" by the fraudsters that uses software which records the passwords typed on those machines. Duplicate cards are manufactured and money is withdrawn with the use of stolen passwords. Sometimes such frauds are an inside job with the collusion of the employees of the company issuing those cards. Some of these can be prevented by introducing microchip technology in cards, enhanced security, continuous monitoring through CC cameras, insurance cover to the card holder etc can be implemented. The problem of ATM fraud is not only in India, it is a global problem. IT Act, 2000 should be amended with regarded to the protection of ATM holders in case of any occurrence of frauds.

### **Objectives of the study**

1. To study the growth of ATMs in the Global Market.
2. To study the position of ATMs in India.
3. To study the correlation between No. of ATMs opened and the Branches of Indian Commercial Banks.

### **Methodology**

The data has been collected from secondary sources comprising of RBI Bulletin, IBA Bulletin, RBI websites, and Annual reports of RBI, from the period from 2004-05 to 2008-09. The collected data has been classified and analysed in a systematic manner. For analysis, statistical tools like Graphs, Percentages, Annual growth rate, and Correlation Coefficient are used to find out the objectives of the study. For the present study, Commercial Banks are grouped under Nationalised

Banks, State Bank Group, Private Sector Banks, and Foreign Banks. The study period is taken from the years 2004-05 to 2008-09.

Hypothesis:

H<sub>0</sub>: There is no correlation between the No. of branches and ATMs opened by the Commercial Banks in India.

H<sub>1</sub>: There is no correlation between the No. of branches and ATMs opened by the Commercial Banks in India.

## Global ATM market

**Table-1**  
**GROWTH OF ATMs IN THE GLOBAL MARKET**

YEARS	2005	2006	2007	2008	2009	2010	2011
ATMS	1544853	1641490	1727865	1801670	1869375	1929660	1985805
*Increased percent	-	6.26	5.26	4.27	3.76	3.22	2.91

Source: Global ATM Market and Forecasts to 2011(Retail Banking Research).

\* Indicates over previous year.

According to the survey conducted by The Retail Banking Research (RBR) on "Global ATM market and forecast to 2011", the global ATM installed base will expand by over 440,152 units by 2011. As per its report there were 1,544,853 ATMs operating world wide at the end of December 2005 and it may suppose to reach 1,985,805 by the end of 2011. The number of ATMs world wide has passed 1.5 millions by the end of 2005 and is forecasting to reach Two Millions by the end of 2011. The emerging markets of Central and Eastern Europe, Middle East, Africa and continued growth in Asia Pacific will drive this growth. No doubt that all over the world, this explosive growth of ATMs may be driven by customer demand for greater convenience.

Table-2 indicates that of 1,985,805 global ATMs operating world wide by the end of 2011, Asia-Pacific region found the largest regional ATM market with 32.3 per cent of the global market. It is also expected that Russia, Brazil and India are expected to add heavily to their installed ATM bases over the coming year. Despite a predicated increase of more than 27,000 new installations, India is still expected to have the lowest density of ATMs to population of all the countries surveyed by the end of 2011 as per the Global Market and Forecasts reports by the Retail Banking Research.

Asia-Pacific counted for 641,475 installations constituting of 32.3 per cent of the global share. North America is in the Second Position with 468,000 machines which has decreased its share of 29.2 per cent in 2005 to 23.57 per cent by 2011, while the West Europe region grabbed the third position with 384,655 ATMs. The share of West Europe is decreased from 21.3 per cent in 2005 to 19.37 by 2011.

Both the regions put together accounted for over 42% of the world total, which was more than 50 per cent as on 2005. Latin America has maintained its share in the world market by more than 11 per cent in the global total. Central & Eastern Europe and Middle East and Africa increased their share over the years from 4.9 per cent, 2.5 per cent in 2005 to 8.78 per cent, 4.34 per cent by 2011 respectively.

**Table-2**  
**REGION WISE ATMs ACROSS THE GLOBE**

REGION	ATMS 2005	SHARE (%)	ATMS 2011	SHARE %
Asia -Pacific	476006	30.8%	641475	32.30%
North America	451097	29.2%	468000	23.57%
Western Europe	329150	21.3%	384655	19.37%
Latin America	173880	11.3%	231075	11.64%
Central and eastern Europe	75504	4.9%	174350	8.78%
Middle east and Africa	39216	2.5%	86250	4.34%

**Source:** Global ATM Market and Forecasts to 2011(Retail Banking Research).

The ATM density in India is far lower than that of the other developing countries, however ATM installation is growing at a rapid pace in the country. Currently India has an ATM penetration of about 0.04 per 1,000 people. ATMs in rural India can really help villagers to taken out money at appropriate time. Since 2005 we can see an explosive growth. At the end of March 2005 around 17642 ATM machines were installed in India and rose to 21147, 27088, 34788 and 43651 at the end of 2005-06, 2006-07, 2007-08 and 2008-09, by registering a growth of 19.87 per cent, 28.09 per cent, 28.43 per cent and 22.89 per cent during the above years.

The percentage of growth of number of ATMs in Nationalised banks increased by 50.15 per cent, 38 per cent, 35.06 per cent and 12.60 per cent during the years 2005-06, 2006-07, 2007-08 and 2008-09 respectively in where as in the State Bank group, that growth is 4.27 per cent, 18.33 per cent, 30.93 per cent and 34.46 per cent, in Old Private Sector banks it is increased by 24.66 per cent, 3.88 per cent, 30.68 per cent and 27.33 per cent. While in New Private Sector banks and Foreign banks the number of ATMs increased by 8.91 per cent, 34.03 per cent, 20.56 per cent, 28.05 per cent, and 10.41 per cent, 9.09 per cent, 7.71 per cent, 1.93% during the said period.

**Table-3**  
**NUMBER OF ATMs INSTALLED BY COMMERCIAL BANKS IN INDIA**

Banks	2004-05	2005-06	2006-07	2007-08	2008-09
Nationalised Banks	4772	7165	9888	13355	15038
State Bank Group	5220	5443	6441	8433	11339
Old Private Sector Banks	1241	1547	1607	2100	2674

New Private Sector Banks	5612	6112	8192	9867	12646
Foreign Banks	797	880	960	1034	1054
Total	17642	21147	27088	34789	42751

**Source:** RBI, Various reports on Trend and Progress of Banking in India

**Table-4**  
**BANK GROUPWISE SPREAD OF ATMs AS ON MARCH 2009**

Bank Group	No. of Branches	No. of ATMs	ATMs as % of Branches
Nationalised Banks	39376	15038	38.2
State Bank Group	16062	11339	70.6
Old Private Sector Banks	4673	2674	57.2
New Private Sector Bank	4204	12646	300.8
Foreign Banks	293	1054	359.7

**Source:** RBI, Report on Trend and Progress of Banking in India 2009

Table-4 demonstrates the bank group wise spread of ATMs as on March 2009. It is very clear that Nationalised banks with 15,038 ATMs accounted for the largest share of the installed ATMs in Indian banking followed by new Private Sector Banks with 12646 ATMs, State Bank Group with 11339 ATMs, Old Private Sector Banks with 2674 ATMs, and Foreign banks with 1054 ATMs. The total number of ATMs installed by foreign banks and new Private Sector Banks were more than three times of their branches, while the ATMs to branch ratio was much lower in Nationalised banks (38.2 per cent), Old Private Sector Banks (57.2 per cent) and followed by State Bank Group (70.6 per cent). It is pre assumed to test whether banks are using ATMs for substituting their branches, as most of the customers are used to visit branches simply either to withdraw money or to enquire their account balances from their branches.

**Table-5**  
**NUMBER OF ATMs & BRANCHES OF INDIAN COMMERCIAL BANKS**

	2005		2006		2007		2008		2009	
	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM
Nationalised Bank	33627	4772	34012	7165	35636	9888	37775	13555	39376	15038
State Bank Group	13661	5220	13831	5443	14030	6441	15105	8433	16062	11339
Old Private Sector Banks	4511	1241	4566	1547	4606	1607	4450	2100	4673	2674
New Private Sector Banks	1685	5612	1950	6112	2497	8192	3525	9867	4204	12646
Foreign Banks	242	797	259	880	273	960	277	1034	293	1054
Total	53726	17642	54618	21147	57042	27088	61132	34789	64608	42751

**Source:** RBI, Report on trend and Progress of Banking in India 2005 to 2009

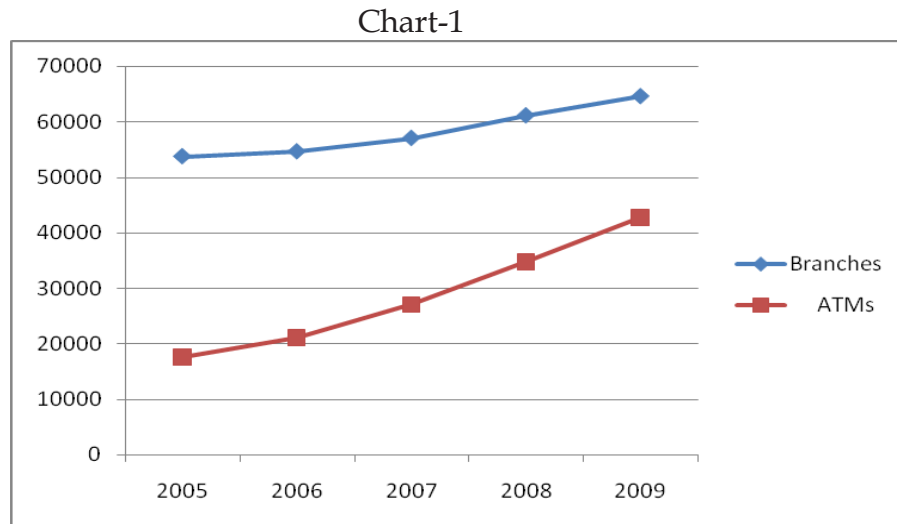


Table-5 depicts Number of branches and Number of ATMs opened by Indian Commercial Banks from 2005 to 2009. To test the hypothesis i.e., whether there is any correlation between Number of branches and Number of ATMs opened by Indian Commercial Banks, Correlation Co-efficient test is applied and found the value of 0.998. Hence it is concluded that ATMs are not the substitutes for their branches which is justified with a positive correlation between the ATMs installation and opening of their branches by the Indian Commercial Banks, which can be clearly seen in chart-1. Indian Commercial Banks are using both branches and ATMs to increase the reach of their services to the door steps of the customers.

### Onsite and offsite ATMs

There are basically two types of ATM installations namely on-site ATMs and off-site ATMs. On-site ATMs are installed inside the premises of the bank or adjacent to the bank branch. While off-site ATMs (a site away from the branch) are installed at various locations such as airports, railway stations, petrol pumps, shopping centres, malls, restaurants, colleges, commercial areas or at places where the bank does not have a service branch near by.

Of all the ATMs installed in the country, by the end of March 2009, New Private Sector Banks had the largest share in Off-site ATMs (7480), while Nationalised Banks (9861) had it in on-site ATMs (Table-6). Off-site ATMs as percentage to total ATMs were the highest in case of Foreign banks (74.4 per cent), followed by New Private sector banks (59.2 per cent), SBI group (37.0 per cent), Nationalized banks (34.4 per cent) and Old Private Sector banks (31.6 per cent) at the end of March 2009. In order to expand the number of off-site ATMs, State Bank of India had entered into an agreement with Ministry of Railways for installation of ATMs at Railway stations across the country. Some of the banks like State Bank of India, State Bank of Patiala, Citi Bank, Bank of India, ICICI Bank and Jammu and Kashmir Bank have deployed mobile ATMs, in order to reach remote areas that may not have a large enough population for the bank to invest in an



ATM centre. The mobile ATMs can help a bank to reach out banking customers that do not comprise its regular customers.

**Table-6**  
ONSITE AND OFF SITE ATMS

Name of the Bank	2005		2006		2007		2008		2009	
	On site ATMs	Off Site ATMs	On site ATMs	Off Site ATMs	On site ATMs	Off Site ATMs	On site ATMs	Off Site ATMs	On site ATMs	Off Site ATMs
Nationalised Banks	3205	1567	4812	2353	6634	3254	8320	5035	9861	5177
State Bank Group	1548	3672	1775	3668	3655	2786	4552	3851	7146	4193
Old Private Sector Banks	800	441	1054	493	1104	503	1436	664	1830	844
New Private Sector Banks	1883	3729	2255	3857	3154	5038	3879	5988	5166	7480
Foreign Banks	218	579	232	648	249	711	269	765	270	784

**Source:** RBI, Report on Trend and Progress of Banking in India 2005 to 2009.

**Table-7**

Bank wise onsite and off site ATMs and their percent to their branches at the end of 2009

S.No	Name of the Bank	Onsite ATMs	Off Site ATMs	Total ATMs	Per cent of Off site to Total ATMs	Percent ATMs of Branches
1	Allahabad Bank	121	90	211	42.7	9.5
2	Andhra Bank	248	477	725	65.8	50.9
3	Bank of Baroda	691	488	1179	41.4	40.4
4	Bank of India	300	200	500	40.0	17.0
5	Bank of Maharashtra	258	87	345	25.2	24.5
6	Canara Bank	1,218	788	2006	39.3	73.2
7	Central Bank of India	302	98	400	24.5	11.3
8	Corporation Bank	522	510	1032	49.4	99.7
9	Dena Bank	289	102	391	26.1	35.8
10	Indian Bank	547	208	755	27.5	46.8
11	Indian Overseas Bank	445	131	576	22.7	29.9
12	Oriental Bank of Commerce	576	269	845	31.8	59.4
13	Punjab and Sind Bank	43	-	43	-	5.0
14	Punjab National Bank	1,541	609	2150	28.3	49.7
15	Syndicate Bank	911	179	1090	16.4	48.5
16	UCO Bank	304	110	414	26.6	20.1
17	Union Bank of India	1,099	691	1790	38.6	69.6
18	United Bank of India	156	66	222	29.7	15.4
19	Vijaya Bank	290	74	364	20.3	33.1
20	IDBI Bank Ltd	372	528	900	58.7	176.5
21	State Bank of India	5,229	3319	8548	38.8	74.5
22	State Bank of Bikaner and Jaipur	294	201	495	40.6	57.8
23	State Bank of Hyderabad	452	158	610	25.9	59.7
24	State Bank of Indore	204	146	350	41.7	74.6
25	State Bank of Mysore	294	87	381	22.8	57.4
26	State Bank of Patiala	372	123	495	24.8	58.4

S.No	Name of the Bank	Onsite ATMs	Off Site ATMs	Total ATMs	Per cent of Off site to Total ATMs	Percent ATMs of Branches
27	State Bank of Travancore	301	159	460	34.6	63.0
28	Bank of Rajasthan Ltd	84	27	111	24.3	24.2
29	Catholic Syrian Bank Ltd	87	51	138	37.0	38.3
30	City Union Bank Ltd	117	5	122	4.1	58.4
31	Dhanalakshmi Bank Ltd	59	13	72	18.1	39.8
32	Federal Bank Ltd	345	271	616	44.0	100.8
33	ING Vysya Bank	172	179	351	51.0	79.1
34	Jammu and Kashmir Bank Ltd.	182	68	250	27.2	50.9
35	Karnataka Bank Ltd.	133	37	170	21.8	37.7
36	Karur Vysya Bank Ltd	263	61	324	18.8	104.5
37	Lakshmi Vilas Bank Ltd	88	16	104	15.4	42.1
38	Ratnakar Bank Ltd	9	-	9	-	10.7
39	SBI Commercial and International Bank Ltd	2	-	2	-	100.0
40	South Indian Bank Ltd	212	68	280	24.3	53.9
41	Tamilnadu Mercantile Bank Ltd	77	48	125	38.4	58.4
42	Axis Bank Ltd.	1,004	2591	3595	72.1	457.4
43	Development Credit Bank Ltd	73	43	116	37.1	143.1
44	HDFC Bank Ltd	1,749	1546	3295	46.9	234.0
45	ICICI Bank Ltd	1,863	2850	4713	60.5	334.5
46	IndusInd Bank Ltd.	174	182	356	51.1	195.6
47	Kotak Mahindra Ltd.	212	175	387	45.2	175.9
48	Yes Bank Ltd.	91	93	184	50.5	155.9
59	ABN-AMRO Bank	34	88	122	72.1	406.7
50	Barclays Bank PLC	6	5	11	45.5	220.0
51	Citibank	54	415	469	88.5	1143.9
52	Deutsche Bank AG	12	20	32	62.5	246.2
53	HSBC Ltd.	71	107	178	60.1	378.7
54	Standard Chartered Bank	92	149	241	61.8	267.8

**Source:** RBI, Report on Trend and Progress of Banking in India 2005 to 2009.

Table-7 depicts the bank wise ATMs installed by the Public Private and Foreign banks at the end of March 2009. Out of 52 banks reported with ATM installation, State Bank of India installed 8548 ATMs in India, where as Private Sector Banks, ICICI, Axis Bank and HDFC banks installed 4713, 3595 and 3295 ATMs respectively. The percent ATMs of branches in SBI, ICICI, AXIS and HDFC are 74.5, 334.5, 457.4 and 234 respectively in the above banks, which clearly reveals that the Private Banks are enormously increasing their ATMs than the Public Sector Banks does.

### Findings and suggestions

Introduction of ATMs have changed the face of banking services. Banks have recently introduced biometric Automatic teller Machines to overcome some of the difficulties like theft of PIN and to expand bank reach to the rural and

illiterate masses. Voltex Company has already established four solar powered ATMs for a pilot study in Cuddalore District of Tamil Nadu. Currently these machines are utilized by the local administrators to pay the beneficiaries of the National Rural Employment Guarantee Schemes.

These ATMs may reduce carbon-dioxide emissions by at least 18,500 Kg per year, further more they save 1,728 units of power per month. According to survey conducted by Retail Banking Research, the number of ATMs world wide as on 2005 were 1,544,853, which may cross two millions by the end of 2001. This figure clearly, shows the tremendous growth of ATMs during the years. Very interesting to see Asia Pacific region found the largest regional ATM market with 32.30 per cent of the global ATM market. The ATM density in India is far lower than that of the other developing countries, however ATM installation is growing at a rapid pace in the country. Currently India has an ATM penetration of about 0.04 per 1,000 people.

In India, Nationalized banks accounted for the largest share of the total installed ATMs. With regard to the installation of the off-site ATMs New Private Sector Banks had a largest share while nationalized banks occupied largest share in onsite ATMs installation. Some banks have started mobile ATMs in order to reach remote areas that may not have a large enough population. Interestingly the ratio of ATMs to total branches of the respective branches is tremendously increased after 2005. It is also found that there is a positive correlation between number of ATMs and total number of branches opened by the Indian Commercial Banks.

Hence it is inferred that ATMs are no substitute for opening a branch. As majority of the customers are often visit their branches simply to enquire about their account balances or to withdraw money. No doubt ATMs are more effectively providing both of these services. But these do not surrogate for opening a new branch to reach the un banked areas. Indian ATMs are performing many functions like a vending machine, railway ticket counter, zipp money centres and also in the filed of microfinance.

Therefore it can be suggested to increase some other services to be offered by the ATMs and make it as substitute for a branch so as to reach the unbanked areas to provide the banking services in a large scale. Though the number of ATMs is increasing drastically still, we stumble on long queues in front of many ATM counters. Of course there is a limited scope of opening branches jointly by the banks due to a mixture of constraints, but at least they can jointly open many more ATMs to reach the unbanked areas to dwindle their cost of installation and to augment their services to the community.

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**Hairdressers in the UK:  
Time to Regulate the 'Candy Floss Profession'?**  
**Part one – the genesis of a profession and the cast of  
characters, real and fictional, which colours the canvas.**

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**Key words**

Hairdressing, regulation, personal professional services

**Abstract**

*This article considers the perhaps remarkable fact that there is no regulation, nor even compulsory registration, of the hairdressing profession in the United Kingdom. Part one includes a thumbnail history of its development, pausing to consider the colourful characters of fact and fiction which are part of the story. Part two examines the series of attempts at remedying the situation – up until the demise of the last effort – which failed because Parliament was more concerned on the day with banning foxhunting. It concludes that this apparently straightforward amendment of existing legislation is both necessary and long overdue.*

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**Introduction**

"My life has changed forever. My husband, family and friends are wonderful, but being bald makes a difference to the way you feel about life."<sup>i</sup>

Brenda Howe paid great attention to her hair, perhaps too much. She visited her hairdresser twice a week without fail. Blonde, red, permed, straight, long, short, highlights, lowlights: she tried them all. But now she has a permanent bald patch, caused by chemical burns from a perm that went badly wrong four years ago. She has scarring alopecia, a condition in which damage to the scalp stops the hair from growing.

"My hair was my trademark," she recalls. "If it wasn't right, I didn't feel right." For her, what happened was more than just a blow to her self-image; it drove her to the edge of a breakdown.<sup>ii</sup> She settled out of court for £25,000. Then she joined the campaign for the compulsory registration of hairdressers in the UK.

It may surprise those in other jurisdictions across the world<sup>iii</sup> and in the vast majority of EU Member States that in the UK there is no compulsory training, no licensing, no compulsory registration for hairdressers. Anyone can open up a

salon and pour industrial chemicals onto the heads of unsuspecting clients. Indeed, it has been shown that most clients have no idea of the extent to which the profession is unregulated. They believe that hairdressers must be qualified, trained, licensed, registered or regulated.<sup>iv</sup>

### **Industrial chemicals?**

For colouring the chemical components are generally para-phenylenediamine to dye the hair black and ortho-aminophenol for light brown and blonde shades. They are often mixed together. They are alkaline products containing the oxidising agent, hydrogen peroxide. To set the colour the chemicals are laid on the hair, which then sticks to the scalp taking the acidity of the skin from an average of 4.5 to 5.5, to 9 or 10. The risk of burning from overly concentrated mixtures is obvious.

For 'perming' ammonium thioglycolate is the active ingredient. It breaks down the bonds in the hair, penetrating the cortex of the hair and breaking down the structure of the strands. The hair is wrapped around a roller and a neutraliser makes the structure of the hair reform into the shape of the curls made by the roller. Thioglycolate is the chemical found in many hair removing products. If it is left on too long, or if the hair is wound too tightly around the curlers exposing the follicle on the scalp, it can cause severe burns to the skin.<sup>v</sup>

### **The profession**

Hairdressing is the process of cutting, cleaning, colouring, styling, and arranging hair. When hairdressing relates specifically to men and includes the grooming of beards and moustaches, it is barbering.

It has been said that "[h]airdressers have always moved among commoners and kings, but they have been most prominent at three times: shortly before the decline of Greece, just before the French Revolution - and today."<sup>vi</sup>

Boxwood combs have been found which date back to the Stone Age. Hairdressing had already begun. Cave paintings show mud, feathers, and animal skins used as hair adornment as much as for protection<sup>vii</sup> In ancient Egypt caring for hair and beards was a specialised occupation. Images of hairdressers can be found on ancient Egyptian urns, coffins, and fresco paintings The Egyptians had a "barber god" among their deities<sup>viii</sup>, Wealthy people had barbers among their household staff. Some were slaves who were beaten if there was 'a hair out of place'. Sometimes they relied on a personal barber who visited their home each day. For poorer folk there were travelling barbers who plied their trade under shady trees.<sup>ix</sup> The Bible mentions the barber's trade at the time of the prophet Ezekiel: "And thou, son of man, take thee a sharp knife, take thee a barber's razor, and cause it to pass upon thine head and upon thy beard ..."<sup>x</sup>

The Greeks seem to have pioneered the barber's shop. The news and gossip of the day was shared by philosophers, writers, poets, and politicians while they were shaved, curled, manicured, pedicured, and massaged. They remained popular with the Romans. Barbers were common in the market places and public baths. Wealthy Romans sprinkled gold dust on their hair to lighten the colour. Some used caustic soap to turn their hair red. Potions made of such ingredients as ashes, earthworms, and boiled walnut shells were made to prevent hair from falling out or turning white. In the Middle Ages barbers used henna, gorse flowers, saffron, eggs, and calf kidneys to bleach hair and the conditioner of choice was a lizard boiled in olive oil.

In Europe from 1163 until 1745 the local physician or surgeon doubled as the local barber. This custom began with a papal decree of 1163 that forbade the clergy to shed blood. Monks underwent bloodletting at regular intervals. This was now performed by the barbers who had been found in monasteries since 1092, when the clergy had been required to be clean-shaven. In France a royal decree of 1383 declared the King's barber to be the head of the barbers and surgeons in France. They had formed a guild in 1361. In London the barbers were granted a charter as a trade guild in 1462 by King Edward IV. This was amalgamated with that of the surgeons in 1540 under a charter granted by Henry VIII.<sup>xi</sup> The guild of surgeons was separated from that of barbers in 1745.<sup>xii</sup> As surgeons were gradually acquiring formal professional status, they wore long robes, while the barbers, who were usually wigmakers too, were called Doctors of the Short Robe and practiced tooth pulling, bloodletting, and the treatment of abscesses. So in 1745 they were formally split from the profession of surgeons.<sup>xiii</sup> Women's hairdressing was done in the home, often by the wives and daughters of barbers. By the late 18<sup>th</sup> century hairdressers were developing into a distinct profession, largely it seems, because of the work of Legros de Rumigny, of whom more later. He was the official hairdresser to the French Court.

The craft of the barber remained stable until the 1890s when King Camp Gillette (1855-1932) developed the disposable blade safety razor with engineer William Emery Nickerson. The Gillette Company was granted a patent in 1901.<sup>xiv</sup> They produced the first safety razors and disposable blades in 1903 and, by the end of 1904, had produced 40,000 razors and over 12 million blades.<sup>xv</sup> Barbers now concentrated on cutting hair and trimming beards and moustaches. Being shaved by a professional became the privilege of the wealthy few, and those given treats as birthday presents.

The early 20<sup>th</sup> century witnessed the emergence of women's hairdressing salons. Finally women were enabled to have their hair done and to socialize, gossip, and be pampered in the way that men were accustomed to so many centuries before. In 1906 Charles Nestle invented the permanent-wave machine. It was an extraordinary appliance, taking as long as ten hours to complete the process of hair waving, yet this was faster than curling irons. In 1909 scientist and



inventor Eugène Schueller set up the L'Oréal organisation in Paris, following his "quest for excellence through increasingly safe, imaginative and effective products"<sup>xvi</sup>

### **Hairdressers and barbers: fact and fiction**

Hairdressing is amongst the most intimate of personal services provided to individuals. Secrets are shared, gossip exchanged. Clients have close relationships with those they permit (and pay) to advise upon, create and maintain an essential element of their personal fashion statements to the world. A client's loyalty is likely to follow a hairdresser who moves from one salon to another. A satisfied, even flattered, client is a walking advertisement and recommendation. A successful hairdresser is one who 'fills a column.'<sup>xvii</sup> These things have formed the foundations of strange facts and fanciful fiction.

An early example of the flamboyant (and easily satirised) male hairdresser and stylist was Monsieur Champagne in the days of Louis XIV. An impulsive artist, he was in great demand for his monumental productions. However, and as with modern day celebrity chefs, he often lost his temper and flounced out, leaving his patrons with half-done hairdos. As a result, many women turned to Canillat and LeBrun, both of whom were wives of wigmakers. This was a profession coming into its own in the mid-seventeenth century, at the height of Champagne's fame.

About a hundred years later peruke<sup>xviii</sup> makers were engaged to make long rolled curls like the ones they incorporated into men's wigs. One of the first was Frison, who in 1763 established the first Ladies' Hairdressers' Guild. Legros de Rumigny, (who was originally a baker) published a book called 'l'art de la Coiffure des Dames' in 1765 and opened an Academie de Coiffure in 1769.<sup>xix</sup> There ladies' maids and valets could practice hairdressing on paid models. Marie Antoinette donated generously to the family of Legros, upon hearing that he had been crushed in the crowds at her wedding celebrations. Her first hairdresser was Larseur, but she 'moved' to Leonard. Her loyalty was such that she let Larseur style her hair first, then had it combed out and restyled by Leonard. She is said to have entrusted her jewellery to him for safe keeping during the Revolution. After the flamboyance before the Revolution came the short-cropped "coiffure a la victime" - a fashion inspired by the events at the guillotine in 1793. Here the hair was cut short and worn intentionally wild and with a dishevelled appearance.

The self regard of those hairdressers and the internecine rivalry between them and the barbers is visible in statements made during a legal action between them: "[w]hat are the duties of barbers but to shave heads and purchase severed hair to give the needful plait by means of fire and iron on locks that are no longer living?" The art of hairdressing requires at once the talents of poet, painter, and sculptor. It requires an intelligence which is not common and a tact which must be

inborn. The art of the "coiffure des dames" is therefore an art bordering upon genius and consequently is a free and liberal art."<sup>xx</sup>

Over the years, hairdressing, and particularly organised training for hairdressers, developed and it became recognisable as a profession. There was increased and more general interest in the quality of cutting and styling women's hair. The regular and repeated same cut and style was the province of the barber. It was workmanlike haircutting. This new status of artist-hairdresser was no more clearly seen than in the 1920s and Antoine de Paris.

Antoine, or Antek Cierplikowski, was Polish. He was once apprenticed to his village barber-surgeon where he pulled children's teeth and shaved the heads of the sick. He was later apprenticed in the city salon owned by his uncle, Pavel Lewandowski of Lociz., In his autobiography<sup>xxi</sup> he claims that his first notable coiffure was designed, at the age of seventeen, for the Honourable Stanislawowa Ginsberg of the House of Wielmonza when he was called upon to do her hair because his uncle was too drunk to make the appointment. He says that she was amazed with the results: 'You are a great artist indeed ... This coiffure is brilliant... I have never looked so well in my life This boy is a genius'.<sup>xxii</sup> Perhaps inevitably, he eventually moved to Paris where he developed his salon into a theatrical experience to which women were prepared to go to be pampered. By 1937 he was employing 150 and he had opened a branch in New York. His most famous client was Wallis Simpson, the Duchess of Windsor. (She was to be part of the 'Hairdressers regulation' story.) Her hair was styled by the master himself on her wedding day. Antoine was one of the first hairdressers to deliberately style himself as a genius on a par with the great couturiers of the time such as Coco Chanel and Madeleine Vionnet, seeing hairdressing as an art form like sculpture.

Paris remained the centre of the hairdressing world until the 1950s. As the post Second World War austerity began to wear off British hairdressers began to share the stage. The most famous was Pierre Raymond Bessone - far better known as Teasie Weasie Raymond.

He was born in 1911 in Soho, London. His mother was French. His father was an Italian barber, from whom he learned the basics of his trade. After being sacked by his father for accidentally cutting off a customer's earlobe whilst trimming her hair, he worked in, walked out of or was fired from various salons in London. Later he wrote: "[a]ny man wanting to enter the trade was viewed with suspicion by his family but was happily visited by female clients, who had come to expect gay male confidants to cut their hair. Hairdressers developed strategies to cope with these popular notions, realising that the majority of women thought that unless you were both queer and French you could not possibly be a good hairdresser."<sup>xxiii</sup> Accordingly, he permed his hair, wore open sandals displaying painted toenails, varnished his fingernails and adopted an extravagant French accent. He became a partner in a Paris salon so that he could bill himself as Raymond of London and Paris. His staff answered to French names and were

taught to copy his bogus camp persona, even though they were all born and brought up in London. There were many television appearances throughout the 1950s and 1960s. He was a household name and he was stock joke material for the likes of Norman Wisdom and Benny Hill.<sup>xxiv</sup>

Hollywood's inevitable interest is seen no more clearly than in 'Shampoo' – a 1975 film set in 1968, giving the audience an advantage over the characters in that they knew about the Nixon election victory and the Watergate scandal that were to come. We find hairdresser George Roundy riding his 500cc Triumph Tiger 100 motorcycle from client to client in the Californian sunshine. His ambition was to own a salon of his own. He is frank about his work: "What the hell I'm a gonna tell you about what they got against you. Christ, they're women aren't they? You ever listen to women talk, man? Do you? Cos' I do till its running outta my ears! I mean I'm on my feet all day long listening to women talk and they only talk about one thing how some guy f\*\*\*\*\* 'em over, that's all that's on their minds that's all I ever hear about! Don't you know that?"

It is fairly clear that the lead character was based on a hairdresser called Jay Sebring (one of the murder victims of the Manson Family). It has been suggested that the story is loosely based on "The Country Wife," a Restoration comedy written in 1675 by William Wycherley, whose protagonist, Horner, pretends to be impotent in order to be allowed into the company of married women, whom he then seduces. George in "Shampoo" might have been considered non-threatening by some because of the stereotype that hairdressers are gay – but not by most of his clients, who were made very well aware that he was not.<sup>xxv</sup>

In this twilight world between fact and fiction, even such a superficial look as this would be incomplete without mention of Sweeny Todd. This is a wonderful collection of asserted fact and admitted fiction.

Peter Haining has written extensively on the topic. He tells this story: Sweeney Todd was born on October 26, 1756, in Brick Lane, East London. His young parents were part time silk workers and full time drunks. He was once apprenticed to a cutler called John Crook of Holborn who specialised in razors. He was jailed for five years in 1770 for petty theft, although his crime is not recorded. He entered Newgate prison aged 14 and was employed as an assistant by a man called Plummer, the prison barber. He was released in the autumn of 1775. He is said to have murdered a customer for telling a lascivious story about a woman Todd recognised as his wife. He later moved his business to 186 Fleet Street, beside St Dunstan's Church in direct line and linked by underground passageways to Bell Yard on the other side of the church where a pie shop thrived. He paid £125 for the lease and advertised his dual role of barber and surgeon with a white pole striped in red.

His second killing was said to have been committed in Fleet Street. He may also have killed four others outside his shop, but inside he now had the means to

kill and rob with greater certainty - his revolving chair. At about this time he took up with a widow called Mrs Lovett who ran the pie shop, and began dismembering and filleting the corpses of the victims he had dispatched to his cellar with slit throats. He took the meat along the tunnels to Lovett's bakery beneath her shop. There it was made into the pies that were so popular with her customers. The bones were left to rot in a disused family vault under the church where the smell eventually attracted the Bow Street Runners.<sup>xxvi</sup> Todd and Lovett were arrested. She soon committed suicide. Todd was charged at the Old Bailey with the single murder of one Francis Thornhill, who had been paid to deliver a string of pearls worth £16,000 to a young woman in London. On his way he went into Todd's shop to be shaved and was never seen again. Todd later pawned a string of pearls for £1,000. It is claimed that clothing for 160 people was found in Todd's shop and that a leg bone found in the church vaults belonged to Thornhill. Todd was convicted and hanged outside Newgate prison on the morning of January 25, 1802, in front of a crowd of thousands. He was 46 years old. Ironically, but not unusually, his body was taken to the Royal College of Surgeons in the Old Bailey for dissection.<sup>xxvii</sup>

Other views exist: " ...the facts about his case are remarkably poorly documented, both in terms of newspaper reports and court documents. ... At the time there should have been extensive transcripts recorded by clerks of any case brought before a court ... there are no such transcripts concerning Sweeney Todd ... if he did exist he didn't meet his end at the gallows. ... There is also no record of him being sent to Newgate prison as a teenager. ... Furthermore the only newspaper of the day which mentions anything resembling him by name was the 'Newgate calendar' the Newgate Calendar wasn't a newspaper to be trusted, many of its stories were exaggerated or simply fictitious, the other newspapers at the time never run any stories concerning our demon barber, this is unusual, the newspapers at the time would have been expected to pick up such a sensational story and run with it as they did with other villains."<sup>xxviii</sup> The 'Proceedings of the Old Bailey' contain no record of the trial.<sup>xxix</sup> The tunnels under the church do exist, but Todd and Lovett may never have existed to use them.

In fifteenth century France there was a children's song about a demon barber who cut his clients' throats, dumps them into his cellar before turning them into pies. The story may have 'moved' to England and entered folk lore. Martin Chuzzlewit, Charles Dickens' novel published in 1844 includes: 'Upon my word thought Tom, quickening his pace "I don't know what John will think has become of me. He'll begin to be afraid I have strayed into one of those streets where the countrymen are murdered; and that I have been made meat pies of, or some such horrible thing.'" Between November 1846 and March 1847 "The String of Pearls: A Romance" was published as a penny part serial (a 'penny dreadful').<sup>xxx</sup> The main character is Sweeney Todd. The story is set in 1785. It tells of the strange disappearance of a sailor named Lieutenant Thornhill, last seen entering Sweeney

Todd's establishment on Fleet Street. Thornhill was bearing a gift of a string of pearls to a girl named Johanna Oakley on behalf of her missing lover Mark Ingestrie, who is presumed lost at sea. Eventually, Todd's activities are uncovered when the dismembered remains of hundreds of his victims are discovered in the crypt underneath St. Dunstan's church.

Whether the tale is fact, fiction, folk lore or a mixture of all three remains unclear. What is not in doubt is that it has provided the material for 6 films, 5 stage plays and musicals, 3 radio plays, a ballet and a song performed by Stanley Holloway.<sup>xxxix</sup> Further, in England the tale had become so notorious by the 1940s that even the appellation 'barber' had become besmirched. The writer E S Turner encouraged teachers to encourage their pupils only to use the term 'hairdresser'.<sup>xxxix</sup>

In the second part of this article we will look at the profession today and the attempts that have been made to regulate it over the years.

<sup>i</sup> Quoted by Cohen, J. DAILY MAIL, December 29 1998, p.46

<sup>ii</sup> Hicks, C. THE INDEPENDENT, October 28 1997, p.17

<sup>iii</sup> For example, in Queensland Australia: <http://www.activehandstraining.com.au/index.php?id=15> and <http://www.deir.qld.gov.au/workplace/subjects/hairdressing/guide/index.htm> and across the United States: <http://www.finallywhatyouneed.com/stateboards.html>

<sup>iv</sup> A survey by the Good Salon Guide in 1994, for example, demonstrated that 85% of clients were of this opinion.

<sup>v</sup> *Ibid.*

<sup>vi</sup> A Short History of Hairdressing, *Women's Issues*, April 22<sup>nd</sup> 2008 accessed at <http://www.girlygang.net/articles/1145/1/A-Short-History-of-Hairdressing/Page1.html>

<sup>vii</sup> Drawn in part from <http://littlelonghairs.com/longhairs/content/history-hair>

<sup>viii</sup> 'Tu-aur'

<sup>ix</sup> Sherrow, V. (2006) *Encyclopedia of Hair* ( p.112 , p.163) Greenwood Press

<sup>x</sup> Ezekiel: Chapter 5, Verse 1

<sup>xi</sup> The members of the joint corporation were to be known as "Master" - thus 'Mister' - the title still used by British surgeons rather than 'Doctor'.

<sup>xii</sup> The Royal College of Surgeons did not receive its charter until 1800.

<sup>xiii</sup> See generally: <http://www.britannica.com/EBchecked/topic/52840/barber>

<sup>xiv</sup> patent US775134

<sup>xv</sup> <http://www.sciencemuseum.org.uk/images/I048/10316807.aspx>

<sup>xvi</sup> [http://www.loreal.com/\\_en/\\_ww/HTML/our-company/history-of-loreal.aspx](http://www.loreal.com/_en/_ww/HTML/our-company/history-of-loreal.aspx)

<sup>xvii</sup> An expression used in the industry to indicate that the vertical list of timed appointments in a salon's booking diary will be full

<sup>xviii</sup> a wig for men that was fashionable in the 17th and 18th centuries

<sup>xix</sup> <http://littlelonghairs.com/longhairs/content/history-hair>

<sup>xx</sup> A Short History of Hairdressing, (2008, April 22) *Women's Issues*, accessed at <http://www.girlygang.net/articles/1145/1/A-Short-History-of-Hairdressing/Page1.html>

<sup>xxi</sup> *Antoine* by Antoine, 1946, p.19. London, W. H. Allen

<sup>xxii</sup> Quoted in Cox, C. (1999) *Good Hair Days*, p.82. Quartet Books

<sup>xxiii</sup> Raymond, P. (1976) *The Outrageous Autobiography of Teasie Weasie* p.66. London: Wyndharn Publications. quoted in Cox, C. (1999) *Good Hair Days*, p.94. Quartet Books.

<sup>xxiv</sup> Vidal Sassoon began his career as one of Teasie-Weasie's staff and obviously aimed to outstrip his master. In 1956 Diana Dors had caused press hysteria by flying Teasie-Weasie to the USA for a £2,500 shampoo and set. Twelve years later Sassoon flew to the US to give a \$5,000 cut to

Rosemary's Baby star Mia Farrow. <http://www.donnaethal.com/2009/07/mr-teazie-weazie.html>

<sup>xxv</sup> See: <http://www.imdb.com/title/tt0073692/> and <http://www.allmovie.com/work/44074>

<sup>xxvi</sup> The Bow Street Runners were London's first professional police force. They were founded in 1749 by the author Henry Fielding. They worked from the Bow Street magistrates' office.

<sup>xxvii</sup> drawn from: Haining,P. (2007) *Sweeney Todd: The Real Story of The Demon Barber of Fleet Street*, Robson Books

<sup>xxviii</sup> <http://www.grooming-health.com/demon-barber.htm>

<sup>xix</sup> [http://www.oldbaileyonline.org/search.jsp?foo=bar&form=\\_divs&\\_divs\\_fulltext=Todd+1801&start=160](http://www.oldbaileyonline.org/search.jsp?foo=bar&form=_divs&_divs_fulltext=Todd+1801&start=160)

<sup>xxx</sup> 'The String of Pearls: A Romance' was published in eighteen weekly parts, in Lloyd, E. THE PEOPLE'S PERIODICAL AND FAMILY LIBRARY, issues 7-24. 21 November 1846 to 20 March 1847

[http://www.victorianlondon.org/mysteries/sweeney\\_todd-01.htm](http://www.victorianlondon.org/mysteries/sweeney_todd-01.htm)

<sup>xxxi</sup> a list at: [http://en.wikipedia.org/wiki/Sweeney\\_Todd](http://en.wikipedia.org/wiki/Sweeney_Todd)

<sup>xxxii</sup> Turner, E.S. (1948) *Boys Will Be Boys: The Story of Sweeney Todd, Deadwood Dick, Sexton Blake, Billy Bunter, Dick Barton, Etc., Michael Joseph.*

## **The Role of Micro-businesses in the Socio-Economic Development of Ilocos Norte, Philippines**

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### **Key words**

Micro-business, Socio-Economic Development, Micro-Business profile, social responsibilities

### **Abstract:**

*This study aimed to determine the role of micro-businesses in the socio-economic development in the Province of Ilocos Norte. It indicates the possible effects of the micro-business profile such as organizational characteristics and management practices, and micro-entrepreneurial profile such as personal characteristics, competencies and social responsibilities on the output indicators. In the same manner, there is a possibility that the output indicator: products and services, qualitative assessment of products and services, and quantitative assessment of products and services, have an impact in the socio-economic development in the province of Ilocos Norte.*

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### **Introduction**

In the midst of economic slowdown and recession, many people are deprived of enjoying basic living needs. The creeping truth of an economic disease is further contaminated by hateful political ignominies and social unrest; hence the small and average economic forces are pinned down to poverty and scarcity of economic needs. It is however with this eminence that many individuals look for alternative sources of income and become entrepreneurs.

The Philippines enacted R.A. No. 9178, a law that promotes the establishment of Barangay Micro Business enterprises by providing incentives and benefits in promoting the formation of micro enterprises, which serve as seedbeds of Filipino entrepreneurial talents, by giving them fiscal and non-fiscal incentives that will help them survive and grow into viable enterprises.

The importance of entrepreneurship in the development of the country had been undeniably significant. Private sector development and entrepreneurship development are essential ingredients for achieving the Millennium Development Goal of reducing poverty. While sound macroeconomic policies and providing market access are crucial, emerging markets need to nurture and develop

entrepreneurs able to take advantage of opportunities created by globalization. The great bulk of local enterprises are micro-businesses, making up to 91.9%, with small and medium enterprises comprising only 7.8% of the total entrepreneurs. Large enterprises account for merely 0.33% of total enterprises. Micro-businesses effectively serve as the seedbed of entrepreneurial talents as such, the government promulgated Republic Act No. 9178 also known as Barangay Micro Business Enterprises (BMBE's) Act of 2002. This is an act to promote the establishment of barangay microbusiness enterprises by providing assistance to the entrepreneur. Incentives and benefits for the micro-businesses include exemption from local taxes and fees, exemption from the coverage of minimum wage, financial and credit loan assistance, seminars in technology transfer, marketing and management, and trade and investment promotions.

Small enterprise offers the best application for sustainable limitations. These enterprises play an important role in less developed countries accounting for roughly a 5<sup>th</sup> to a quarter of industrial output a much layer scale of the total employment. In addition, the employment potential of small enterprises helps address the problem of unequal distribution of income and wealth.

It is in this context that there is a need to conduct a study on the socio-economic contribution of micro-businesses in the province of Ilocos Norte. This study elicits information as to the role and contribution of the micro-businesses in the socio-economic development of Ilocos Norte.

### **Statement of the Problem**

This research work determined the role of micro-businesses in the socio-economic development and progress of the province of Ilocos Norte.

Specifically, it attempted to answer the following questions:

1. What is the profile of micro-entrepreneurs in terms of:
  - a. Age,
  - b. Sex,
  - c. Educational Attainment,
  - d. Membership to organizations, and
  - e. Seminars/Trainings Attended?
2. What is the organizational profile of the micro-businesses in terms of:
  - a. Years of existence,
  - b. Type of Business,
  - c. Form of ownership,
  - d. Number of workers,
  - e. Start-up capital
  - f. Present Capital
  - g. Average annual sales,
  - h. Source of capital, and
  - i. Average annual production?



3. What is the level of competencies of micro-entrepreneurs in terms of:
  - a. Opportunity-seeking and initiative,
  - b. Risk taking,
  - c. Demand for efficiency and Quality,
  - d. Persistence,
  - e. Commitment to work,
  - f. Information seeking,
  - g. Goal setting,
  - h. Systematic planning and monitoring,
  - i. Persuasion and networking, and
  - j. Independence and self-confidence?
4. What is the level of entrepreneurial social responsibility of micro-entrepreneurs towards its:
  - a. Employees, and
  - b. Customers?
5. What are the management practices of micro-businesses in terms of:
  - a. Marketing,
  - b. Human Resources, and
  - c. Finance?
6. What is the level of quality of the product/services of the microbusiness as perceived by the respondents in terms of:
  - 6.1 Adequacy,
  - 6.2 Appropriateness,
  - 6.3 Timeliness,
  - 6.4 Progressiveness,
  - 6.5 Equity,
  - 6.6 Continuity, and
  - 6.7 Demeanor?
7. What is the level of Quantitative assessment of microbusiness in terms of:
  - a. Number of daily complaints, and
  - b. Number of errors and wastage.
8. What is the impact of micro-businesses in the province of Ilocos Norte along the following indicators:
  - a. Economic development such as:
    - (i) Taxes generated;
    - (ii) Employment generated;
    - (iii) Improved living conditions and quality of life, and
    - (iv) Increase in income.
  - b. Social development such as:
    - (i) Participation in city/town activities, and
    - (ii) Scholarship grants?

9. Are the personal profile, competencies/skills, and entrepreneurial social responsibility, organizational profile, and management practices significantly related to the qualitative and quantitative assessment of products and services of micro-businesses?
10. Are the impact variables influenced by the output variables?

### Scope and delimitation

This study focused on the role of micro-businesses in the socio-economic development of the Province of Ilocos Norte. It looked into the micro-entrepreneur profile such as personal characteristics, micro-entrepreneurs' competencies and social responsibility and on the organizational profile and management practices. The respondents consisted of three groups; a sample of micro-entrepreneurs coming from the different municipalities namely Badoc, Burgos, Bacarra, Pasuquin, Bangui, Pinili, Piddig, Solsona, Currimao, Batac, Banna, Marcos, Paoay, Sarrat, Pagudpod, Dingras, San Nicolas and Laoag City, sample of employees, and customers of these micro-entrepreneurs.

Questionnaires were constructed by the researcher to determine the level of entrepreneurial social responsibilities, management practices, level of business success and role of the micro-businesses in the development of the province of Ilocos Norte. For the level of skills and competencies, questionnaire will be adapted to the PECs Questionnaire of McClelland and Mcber.

**Population and Sample.** The population of the study consisted of 3 groups namely: micro-business owners, employees and their respective customers.

In the determination of sample size, the formula given was used:

$$n = \frac{N}{1+Ne^2}$$

where: n = sample size

N = population size

e = marginal error at .04

Table 1.1 is presented for the distribution of population and sample.

Table 1. Distribution of Population and Computed Sample of Respondents

	Owners/Entrepreneurs		Employees		Customers
	N	n	N	n	n*
Manufacturing	159	58	318	66	76
Service	1014	174	2028	155	223
Retailer	1810	339	2500	262	340
Wholesaler	23	19	46	40	84
TOTAL	3006	590	4892	523	723

\*purposive sampling

\*purposive sampling

## Findings

Based from the problem presented, data were gathered and the researcher came out of the following findings:

### **I. Personal Profile of the Respondents.**

- a. Age. Most (206 or 34.92%) of the microbusiness owners are 27-37 years old.
- b. Gender. Out of the 590 microbusiness owner respondents, majority (56.95%) are female.
- c. Marital Status. Majority (416 or 70.51%) of the microbusiness owners are married.
- d. Educational Attainment. A little over fifty percent (50.51%) of the microbusiness owners are college degree holders.
- e. Seminars Attended. Majority of the respondents (528 or 89.49%) did not attend any seminars.
- f. Membership to Professional Organizations. Majority of the respondents (494 or 83.73%) have no affiliation to professional organizations.

### **II. Business Profile of Microbusinesses in Ilocos Norte**

- a) Years of Existence. Out of 590 microbusinesses, a great number (48.31%) have been in existence for less than 5 years.
- b) Type of Business. Majority of the microbusiness owner-respondents (339 or 57.46%) are engaged in retailing.
- c) Business Form. Majority (523 or 88.64%) of the microbusinesses are registered as sole proprietorship.
- d) Number of Workers. Majority of the respondents have 1 to 2 employees (393 or 66.61%).
- e) Start-Up Capital. Majority (86.95%) of the micro-businesses have started with a capitalization of less than P 500,000.00.
- f) Present Capital. Out of 590 microbusinesses, majority (466 or 78.98%) have at present capitalization of less than 500,000.00.
- g) Annual Sales. Majority (64.92%) have an annual sales of below P150,000.00.
- h) Source of Capital. Majority (87.29%) of the capital of microbusinesses in Ilocos Norte comes from the own savings of the entrepreneurs.
- i) Annual Production. There are an average of 100,000 pieces of breads and pastries for annual production of bakeries.

### **III. Level of Personal Entrepreneurial Competencies of Microbusiness Owners**

On the level of personal entrepreneurial competencies of microbusiness owners, the overall assessment by the two groups of respondents (owners and

employees) is 3.86 with a descriptive rating of “high competence. All the items on the criterion ( opportunity seeking and initiative, risk taking, demand for efficiency and quality, persistence, commitment to work contract, information seeking, goal setting, systematic planning and monitoring, persuasion and networking, and independence and self-confidence) have mean ratings of 3.80, 3.86, 4.02, 4.01, 4.05, 3.83, 3.89, 3.90, 3.64, and 3.65 respectively with descriptive rating of “high competence”.

#### **IV. Level of Social Responsibility towards Employees and Customers**

The overall assessment along social responsibility towards employees was “Highly Responsible” ( $x=3.43$ ) as evidenced by the owners rating ( $x=3.35$ ) and employees rating ( $x=3.50$ ).

Likewise, the overall assessment in terms of social responsibility towards customers is “Highly Responsible” ( $x=4.07$ ) as evidenced by the owners rating ( $x=4.01$ ) and customers rating ( $x=4.14$ ).

#### **V. Level of Management Practices of Microbusinesses**

The overall assessment in marketing practices is “Highly Practiced” ( $x=3.60$ ) which is evidenced by the mean ratings of the owners ( $x=3.57$ ) and the employees ( $x=3.63$ ).

Moreover, the overall assessment on the level of human resources practices is “Highly Practiced” ( $x=3.91$ ), as evidenced by the mean ratings of the owners ( $x=3.83$ ) and the employees ( $x=3.99$ ).

Lastly, the overall assessment on financial practices is “Highly Practiced” ( $x=3.53$ ) as evidenced by the mean ratings of owners ( $x=3.51$ ) and employees ( $x=3.56$ ).

#### **VI. Level of Quality of Products and Services of Microbusinesses**

The overall qualitative assessment on the products and services is “Very Good” ( $x=4.00$ ) as evidenced by the mean ratings of owners ( $x=3.95$ ), employees ( $x=4.01$ ) and customers ( $x=4.02$ ).

All the different criteria (adequacy of products, appropriateness, timeliness, progressiveness, equity, continuity and demeanor) have an overall assessment of “Very Good” with mean ratings of 4.12, 4.16, 3.91, 3.89, 3.85, 3.90 and 4.14 respectively.

#### **VII. Level of Quantitative Assessment of the Products and Services of Microbusinesses**

Number and Type of Complaints. Majority (81.53%) of the microbusinesses receive no complaints (81.53%) with a descriptive rating of excellent.

Number of Product/Supply Wastage. Out of the 590 microbusiness-respondents, most (220 or 37.29%) of the respondents did not incur any product/supply wastage or errors.

### **VIII. Impact of Microbusiness in the Socio-Economic Development in the Province of Ilocos Norte**

The overall assessment of microbusiness owners on their role in the economic development in the province of Ilocos Norte is "High Impact" which is evidenced by their mean rating of 3.90. As for the amount of taxes paid by the microbusinesses, majority (77.46%) of them pay below P10,000.00 taxes.

All the different aspects of economic development such as employment, quality of life, taxes and other fees and increase in income have overall assessment of "High Impact" with mean ratings of 3.73, 3.63, 4.11 and 4.12 respectively.

Moreover, the overall impact of microbusinesses in the social welfare development is "Low Impact" as evidenced by the mean rating of 2.46.

On the aspect of participation in city/town activities, the overall assessment was "Moderately Impact" with mean rating of 2.92. On the other hand, on the aspect of sponsorship for scholarship grants, the overall assessment is "Low Impact" with mean rating of 1.99.

IX. Regression of personal profile, organizational profile, entrepreneurial competencies, social responsibility and management practices to the qualitative and quantitative assessments of products and services.

#### **A. On the influence of personal profile, business profile, entrepreneurial competencies, social responsibility and management practices to the qualitative assessment of products and services.**

- a. Personal Profile. Results of Multiple Regression Analysis of personal profile on the qualitative assessment show that personal profile are not significantly related to the qualitative assessment of products and services (Multiple R = .069, F-prob. >.05)
- b. Business Profile. Results of Multiple regression Analysis of business profile factors on the qualitative assessment show that organizational profile of microbusinesses are significantly related to the qualitative assessment of products and services when taken as a whole (Multiple R = .198).
- c. Entrepreneurial Competencies. Results of multiple linear regression show that entrepreneurial competencies are highly significant to the qualitative assessment of products and services as shown by Multiple R of .513. The best predictors are persistence (Beta=.175) and information seeking (Beta=.150). Moreover, risk taking (Beta=.153) was found out to exhibit a degree of significant influence in the qualitative assessment of products and services.
- d. Social Responsibility. Results of Multiple Regression Analysis indicated that social responsibility is highly significant to the qualitative assessment of products and services as evidenced by a Multiple R of .425. When taken

singly, both the social responsibility towards employees (Beta = .343) and towards customers (Beta = .137) are the predictors.

- e. Management Practices. Results of Multiple Regression Analysis indicated that management practices are highly significant to the qualitative assessment of products and services as evidenced by the Multiple R = .462. The best predictors were marketing practices (Beta = .265) and human resources practices (Beta = .196)

**B. On the influence of personal profile, business profile, entrepreneurial competencies, social responsibility and management practices to the quantitative assessment of products and services.**

- a. Personal Profile. There is no significant relationship between the personal profile and the quantitative assessment along the number of daily complaints (Multiple R = .123) and the number of product/supply wastage and errors (Multiple R=.089)
- b. Organizational Profile. There is no significant relationship between the organizational profile and the quantitative assessment of products and services along with number of daily complaints (Multiple R = .161). On the other hand, regression results show that organizational profile factors are significantly related to quantitative assessment along number of product wastage (Multiple R = .190).
- c. Micro-entrepreneur's Competencies. There is no significant relationship between micro-entrepreneurs' competencies and the level of quantitative assessment along number of daily complaints as indicated by a Multiple R of .112. Likewise, there was also no significant relationship between micro-entrepreneur's competencies and the level of quantitative assessment along number of product/supply wastage and errors (Multiple R = .150).
- d. Social Responsibility. There is no significant relationship between social responsibility and the quantitative assessment along number of daily complaints (Multiple R = .058). Moreover, it was found out that there is also no significant influence of social responsibility to the quantitative assessment along number of product/supply wastage and errors (Multiple R = .075).
- e. Management Practices. When taken as a whole, there is a significant influence of management practices to the quantitative assessment along number of daily complaints (Multiple R = .115). On the other hand, there is no significant influence of management practices to the quantitative assessment along number of product wastage and errors.

**XI. Regression of qualitative and quantitative assessments of products and services to the Impact of Microbusiness in the Socio-Economic Development in the Province of Ilocos Norte.**

1. Results of the Multiple Regression Analysis showed that output variables such as the qualitative and quantitative assessments of products and services significantly influence in the economic development in the province (Multiple R of .427).
2. Results of Multiple Regression Analysis indicated that output variables such as the qualitative and quantitative assessments of products and services are significantly influence social development in the province.

## Conclusions

In the light of the findings of this study, the following conclusions were drawn:

1. The microbusiness owners in Ilocos Norte are relatively young, dominated by college graduate and married women. Most of them have not attended seminars and trainings and are not members of professional organizations.
2. Majority of the microbusinesses in Ilocos Norte have existed for less than 5 years.
3. Most of the microbusinesses in Ilocos Norte are engaged in retailing and most of them are sole proprietor.
4. Majority of the microbusinesses in Ilocos Norte started with less than P 500,000.00 as initial capital from their savings and hired 1-2 employees who are usually family members.
5. Microbusinesses in Ilocos Norte have average annual sales of below P 150,000.00.
6. Microbusiness owners are highly competent to handle and manage their respective businesses.
7. Microbusiness owners are highly responsible towards their employees and customers.
8. Micro-entrepreneurs of Ilocos Norte observe high level of management practice.
9. Customers are highly satisfied with the quality and quantity of products and services provided by microbusiness owners of Ilocos Norte.
10. Microbusinesses play a significant role in the economic and social development in the province of Ilocos Norte.
11. The personal profile have no bearing on the qualitative and quantitative assessment of products and services.
12. Qualitative assessment is significantly influenced by organizational profile factors.
13. Entrepreneurial competencies have no influence on the qualitative and quantitative assessment of products and services.
14. Social responsibility of entrepreneurs can influence qualitative assessment of products and services.
15. The quality and quantity of products and services is significantly dependent on management practices.

16. The qualitative and quantitative assessments significantly influence the role of microbusinesses in the economic and social development of Ilocos Norte.

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## **“Passive Dictators” of the family and consumer behaviour: A case of malted food**

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### **Keywords**

Passive Dictators, MSLP, Gatekeepers, Influencers,

### **Abstract:**

*There are various roles played by the members in a family but research on family decision making has been largely confined to spouses, who have been considered as the relevant decision making unit in a family. However, the role of third party influences, such as children, on decision making strategies and negotiations is essential to taking a broader view of the relevant unit of analysis. Traditionally, women were seen to be the purchasing agents for the family. Now a days, In India increasing participation of women in the workforce has prompted a shift in this role as children are increasingly the "buyers" for the entire family. Even in families where women do not work, children are observed to share this role with their mothers. Children enjoy greater discretion not only in making routine consumption decisions for the family but also in pestering their parents to buy other products desired by them .It is also observed that children are socialized by their parents to act as rational consumers. After years of direct or indirect observation of parental behaviour in the marketplace, they gradually acquire relevant consumer skills from their parents.*

*The structure of Indian families has been previously characterized as joint families with traditional SRO (that is, the husband predominated in all family affairs). However, owing to influences from the West, the structure of Indian families has changed to nuclear or extended families (nuclear families plus grandparents). The Indian families have become more modern in SRO, such that the decision making has become more egalitarian (Chadha, 1995; Dhobal, 1999). Compared to this, the West is experiencing an increase in the number of single parent or female-headed households (Ahuja and Stinson, 1993; Mangleburg et al., 1999). Such a shift in family composition and structure has a bearing on the strength in the role that children are expected to play as buyers in the family.*

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### **Introduction**

Individual members of families often serve different roles in decisions that ultimately draw on shared family resources. Some individuals are *information gatherers/holders*, who seek out information about products of relevance. These individuals often have a great deal of power because they may selectively pass on

information that favors their chosen alternatives. *Influencers* do not ultimately have the power to decide between alternatives, but they may make their wishes known by asking for specific products or causing embarrassing situations if their demands are not met. The *decision maker(s)* have the power to determine issues such as, whether to buy, which product to buy, which brand to buy, where to buy it and when to buy.

Family decisions are often subject to a great deal of conflict. The reality is that few families are wealthy enough to avoid a strong tension between demands on the family's resources. Conflicting pressures are especially likely in families with children and/or when only one spouse works outside the home. Note that many decisions inherently come down to values, and that there is frequently no "objective" way to arbitrate differences. One spouse may believe that it is important to save for the children's future; the other may value spending now to help prepare the children for the future. Some family members may resort to various strategies to get their way. One is *bargaining*—one member will give up something in return for someone else. Another strategy is *reasoning*—trying to get the other person(s) to accept one's view through logical argumentation. Note that even when this is done with a sincere intent, its potential is limited by legitimate differences in values. On one hand, *Authority* involves asserting one's "right" to make a decision but when it comes to products for consumption to children the choice of children does play a vital role.

## Review of Literature

**J. Miguel Villas-Boas,(1985)“Dynamic Competition with Experience Goods”, *Journal of Consumer Affairs*,Vol.19 (1)pp74**This paper considers dynamic competition in the case in which Consumers are only able to learn about their preferences for a certain product after experiencing it. After trying a product a consumer has more information about that product than about untried products. When competing in such a market firms with more sales in the past have an informational advantage because more consumers know their products. If products provide a better-than-expected fit with greater likelihood, taking advantage of that informational advantage may lead to an informational disadvantage in the future. This paper considers this competition with an infinite horizon model in a duopoly market with overlapping generations of consumers. Two effects are identified: On one hand marginal forward-looking consumers realize that by purchasing a product in the current period will be charged a higher expected price in the future. This effect results in reduced price sensitivity and higher equilibrium prices. On the other hand, forward-looking firms realize that they gain in the future from having a greater market share in the current period and compete more aggressively in prices. For similar discount factors for consumers and firms, the former effect is more important, and prices are higher the greater the informational advantages. The paper also characterizes oscillating market share dynamics, and comparative statistics of the equilibrium with respect to consumer and firm patience, and the importance of the experience in the ex post valuation of the product.

**Brenda J. Cude1,(1987)“Estimating the Returns to Informed Decision-Making” *Journal of Consumer Affairs* Vol-21(1),pp86** Data from 929 product tests in Consumer Reports between January 1975 and November 1984 were used to estimate the potential payoffs to consumer search. A "best choice" and a "worst choice" were identified in each product test using three different selection methods. In methods 1 and 2, the worst choice was qualitatively inferior to the best choice. However, the method 1 worst choice was the most expensive lower-quality option, while in method 2 it was the least expensive

alternative. In method 3, both the best and worst choices were selected randomly without regard to quality rankings or price. When the worst choice in a product test was more costly than the corresponding best choice, the price difference (in percent) was computed to estimate the returns to search in 12 product classes. Implications for consumers and consumer educators are also identified.

**Mary I. Carsky, Roger dickinson and Mary f. Smith,( 1995)“Toward Consumer Efficiency:A Model for improved buymanship, Journal of Consumer Affairs”Vol 29(2) pp 442** This paper suggests that changes in the economic, marketing, and social environments call for alternative approaches to the traditional models of buymanship. The authors propose a shopping model that incorporates four main tenets: (1) search is conceived as a continuous process; (2) consumers take advantage of retail price competition at one point in time and over time; (3) an acceptable set of brands and stores is integral to purchase decisions; and (4) low price on an acceptable brand triggers purchase. Implications for consumer buying, research, and consumer education are identified.

**Ruth Belk Smithi and George P. Moschisi, (2006) “A Socialization Perspective on Selected Consumer Characteristics of the Elderly” Journal of Economics & Management Strategy, Vol.15(4)pp 37** This study examines the effects of selected antecedent variables and communication processes on the consumer behavior of the elderly. The socialization perspective is suggested as a conceptual framework for the study of elderly consumer behavior, with specific theories used as bases for formulating hypotheses. The study results suggest that the mass media and the family may be instrumental in reinforcing or developing traditional sex-role stereotypes among the elderly, whereas consumer education may help them filter puffery in advertisements. Age, sex and health were also related to various aspects of consumer behavior.

**Bahn, Kenneth D. (1986), “how and when do Brand perception and preference first form? A cognitive development investigation, Journal of consumer research, Vol. 13(2),pp 382-393**This study examined children’s brand discrimination and preference for serials and behaviors, the study discovered several dimensions that underlie these two processes. Piaget’s cognitive developmental stage theory was used as then guiding framework. The result indicates that the numbers differ by both cognitive stage and by product category.

**Glazer,Rashi, BarbaraE.Kahn,andWilliamL.Moore(1991),The Influence of External Constraints on Brand Choice: The Lone Alternative Effect, Vol.18 (2),pp 119-127**

In this article, the objectives are (1) To provide an explanation for the deviations from accepted theoretical models (2) to suggest operational measures for the new construct identified by kahn, moore, and Glazer and (3) To propose a modification of hierarchical models that improves choice prediction by adjusting for bias against lone alternatives.

**Heslop, Louise A. and Adrian B. Ryans (1980),A second look at Children and The Advertising of premiums,Vol 6(1), 414-420.**The effects of advertising to children on the desire for a cereal product, product requests and product selection, while varying the levels of premium emphasis, are examined in an experimental setting involving children’s interaction with their mother’s. The results suggest that such advertising may have a marginal impact on preferences, but little effect on final choice.

**Holbrook, Morris B. and Rajeev Batra (1987), Assessing the Role of Emotion as Mediators of Consumer Responses to Advertising, Vol.14(4),402-420.** This paper pursues the emerging interest in emotional aspects of consumer behavior, advocates a broadened view of consumption related emotion and focuses on the role of emotions in mediating the effects of advertising. Specifically, it proposes an approach that examines the manner in which intervening emotional reactions mediate the relationship between advertising content and attitudes toward the ad of brand. An illustrative application of this approach demonstrates its usefulness in assessing the role of emotion as mediators of consumer responses to advertising.

**Hoyer, Wayne D. and Steven P. Brown (1990), Effects of Brand Awareness on Choice for a Common, Repeat- Purchase Product, Vol-17 (3), 141-148.** Results of a controlled experiment on the role of brand awareness in the consumer choice process showed that brand awareness was a dominant choice heuristic among awareness-group subjects. Subjects with no brand awareness tended to sample more brands and selected the high-quality brand on the final choice significantly more often than those with brand awareness. Thus when quality differences exist among competing brands, consumer may pay a price for employing simple choice heuristics such as brand awareness in the interest of economizing time and effort. However, building brand awareness is a viable strategy for advertising aimed at increasing brand choice probabilities.

**Kirmani, Amna (1990), The Effect of Perceived advertising Cost on Brand Perception, Vol.17 (Sept) 160-171.** How, why, and when consumers used there perceptions of advertising cost as cues of a new brands quality- related attributes is examined. It is proposed that consumers perceive advertising costs as deviations from expectation about typical costs in the product category. Perceived costs are hypothesized to affect brand perceptions in an inverted you fashion with extremely high costs leading to negative perceptions. The level of involvement and in formativeness of ad content moderates this relationship. An experiment in which subjects are exposed to ad for a new product provides evidence for the proposed model.

**Liefeld, John and Louise A. Heslop (1985) Reference Prices and Deception in Newspaper Advertising, Vol.11 (March), 868-876.** Consumers were exposed to newspaper advertisement for four products and one of five different price representations – regular price alone, sale price alone, regular price with manufacturers suggested list price (MSLP), sale price with regular price, or sale price with MSLP. Perceptions of the ordinary prices of the products were not effected by the presence of type of reference price, but the subjects did have lower estimates of ordinary prices in the sale context. The accuracy of consumer perceptions of ordinary prices was not related to the regency of subject shopping experience for the products as measured in the study.

**Loken, Barbara and Ronald Hoverstad (1985), Relationship between information recall and Subsequent Attitude: Some Exploratory Findings, Vol.12 (Sept), 155-168.**

Relationship between information recall and subsequent attitudes toward chosen rejected alternatives were explored under different experimental conditions. Memory for product information and effects of amount recalled on subsequently reported attitudes varied as a function of the processing objective and chosen or rejected alternatives. Results are

discussed in terms of recent theoretical models describing effects of memory on judgments.

**Mcgill, Annl. And Punan Anand (1989), The Effect of Vivid Attributes on the Evaluation of Alternatives : the Role of Differential Attention and Cognitive Elaboration,16(Sept),188-196.**The differential attention model and the cognitive elaboration model suggest vivid information has certain properties that exert greater influence on attitudinal judgments than does non vivid information . To test these models, subjects evaluated alternatives described in terms of vivid and non vivid attribute and elaborated on the material in high and low elaboration conditions. The results demonstrate disproportionate influence for vivid versus non vivid attributes included in the same description only in the high elaboration condition to produced an effect for vividness on attitudes.

**Meyers, Levy, Joan and Durairaj Maheswaran (1991) Exploring Differences in males and females Processing Strategies, Vol-18(June),63-70.**Research suggests that, relative to males, females often are more concerned with the particulars of message claims when processing advertising message.This research examine how males processes messages, when gender differences in processing are likely to occur and whether variance in either information availability or information accessibility is likely to mediate such differences the findings suggest that whether gender differences in processing occur depends on the nature of the response task and the level of cue in congruity contained in the message differences in the accessibility of message cues and genders likelihood of using alternative processing strategies seem likely to account for these findings.

**Raj S .P. (1982), The effect of advertising high and low loyalty consumer segments.Vol.9 (June), Paradigm, 77-89.**Different advertising effects on purchase behavior of consumer of varying brand loyalty are investigated. In a frequently purchased product class, consumer of high loyalty increase brand and product purchase when advertising for that brand increases. Little switching occur from competitive brand into advertised brand at low loyalties there is a little impact effects of increased advertising carry over for a few month after advertising is lower back to lower level.

**Adeline Broad bridge & Henry Morgan, “Consumer Buying behaviour of, and perceptions towards, retail brand baby products”Institute for Retail Studies.**This research investigated consumer perceptions and buying behaviour of baby care products.The results of the primary research indicated that consumers need to feel confident with the product in terms of reliability and performance, and confirming research by Quelch and Harding (1996), brand names provided this assurance of quality with baby products. In agreement with Morris (1979) and de Chernatony (1989), it appeared that the more distinctive a brand positioning is, the less likelihood that the consumer will accept a substitute or own brands. The current findings on retail label baby care products would support Burt’s (1992) and Laaksonen’s (1994) views that certain product categories carry a stronger preference for manufacturers brands and are prone to a higher risk than others. Products causing potential allergy to babies’ skin (eg shampoo, lotion) were perceived as carrying greater risk than others (eg cotton wool). Parents were more concerned about the quality of products and the reduction of performance and physical risk than financial risk. Furthermore, the reinforcement of manufacturer brands by hospital professionals could significantly increase the perceived social risk associated with purchasing a retail brand.

Upholding the work of Baltas (1999), the heavy advertising and image building of manufacturer brands may also be differentiating factors in consumers' choice for manufacturer over retail brand baby care product ranges, while product importance and experience level with retail brands (Livesey and Lennon, 1978) also could be plausible reasons for the choice of manufacturer over retail brand baby care products. Experience levels with retail brand baby care products varied according to product type, but were generally lower than other retail brand product categories, and demonstrated little repeat purchase activity. Various risk reduction strategies were adopted by respondents, including those found by Mitchell and Prince (1993) and Mitchell and McGoldrick (1996): pre-purchase product trial, the advice of family and friends, professional recommendation, store reputation, choosing amore expensive product and choosing a well-known manufacturer brand.

**Betty Ruth Carruth, Jean D. Skinner (2001), "Consumer goals/skills that mothers want their children to learn" Journal of Consumer Studies and Home Economics Vol.25(4),290–298.** The study purpose was to assess consumer practices and attitudes of mothers ( $n= 117$ ), and consumer goals/skills that their children were to learn. Mothers with at least one child aged 5–9 years were recruited from an ongoing study and through posters, flyers and referrals. Mail-out surveys included a validated consumer questionnaire and requests for information related to socioeconomic status (SES), age, paid-employment and gender/age of children. Responses were analysed using SAS, Cronbach's alpha and qualitative analyses. Results indicated that mothers were of middle/upper SES and had 2.3 children/family, and 64% were in paid-employment. Mother–child co-shopping and mothers' role modelling were major means of teaching consumer goals/skills. Children were to learn about getting the best buy and quality for the money, cost/unit comparison, being knowledgeable about products and avoidance of impulse buying. Mothers were consciously consumer training their children.

**Gupta, S. & Chundawat, D.S. (2002), Family and Social influences in Buying Decision Making- A Study of Television, Decision, Vol. 29 No 2, pp 45.** A large number of purchase decisions are influenced by a person's interaction with his family, friends, relatives and acquaintances. There are distinct roles in the family decision process, which throw light on how family members interact in various consumption related roles. To effectively market the products, marketers must identify who makes and has input into the buying decision. This study is an attempt at understanding the roles played by family members and the social influences in purchase of television. Further it explores dealers' understanding of these influences and ascertains the extent to which it is congruent with the actual consumer behaviour. Findings of this study can be used by the intermediaries, to improve their understanding of consumer behaviour. This paper also reveals the promotion strategies adopted by the marketers of television and their consonance with the actual family and social influences. This will provide a framework to the marketers for designing marketing communications, which strike the right chord with the target audience.

**Kumar A., Sinha, P. K. & Krishna, R. (2003)'Kids in a Kirana Store: Building a Case for Retail'. Journal of Brand Management, Vol-10(3)** This paper looks at child-retail communication interaction at the 'Kirana' store, the Indian version of the US 'mom and pop' retail outlet, in the capital city of New Delhi. The methodologies for data collection were the non-participatory unstructured observation and exit interview techniques. The results showed a high interaction between the child and retail



communication. The findings also extracted some key factors that influence child behavior at the 'Kirana' store. These factors are- influence of advertisements on the child, predisposition of the accompanying person, child's prior interaction with the brand and age of the accompanying person. The model developed on the basis of the study emphasizes the importance of the role of the accompanying person in determining the efficacy of retail communication targeted to the children.

**Sinha,P.K.& Uniyal, D.P.(2003)"Segmenting shoppers on behaviour",(10th International Conference on Recent Advances in Retailing and Consumer Services Science, Portland,Oregon,USA,Aug.7-10**The present study uses observation of shopping behaviour as a method for developing shopper segments. Shoppers were observed at different stores and based on the behavioural cues; they were classified into six segments. The study generated some segments that were similar to earlier studies based on attitude or psychographics. It also identified new segments. More importantly, the study proposes an alternate basis and methodology of segmenting shoppers. The study also found that the segments were found to differentiate largely on bases of the type of products the stores dealt in and the format of the stores. The study suggests that in an evolving market situation where the manufacturer's brands constitute a major portion of the merchandise, a store could add value through good store format design to create differentiation in the market place and mould the behaviour of the shoppers to its benefit.

**James A. Roberts, Chris Manolis, JohnF.(Jeff)Tanner,Jr.(2003)"Family Structure, Materialism, and Compulsive Buying: A Reinquiry and Extension"Journal of the Academy of Marketing Science,Vol. 31(3), 300-311** This study represents a reinquiry and extension of Rindfleisch, Burroughs, and Denton's (1997) foundational study concerning the impact of family structure on materialism and compulsive buying in young adults. In addition to reexamining the relationships specified in the Rindfleisch et al. study, the authors of this study also examine additional and/or different relationships. The findings of their reinquiry include the following: (1) family structure is positively related to the happiness dimension of materialism; (2) the predicted direct effect of family structure on compulsive buying was not supported, suggesting that divorce may not affect compulsive buying until early adulthood; and (3) the mediating roles of family stressors and family resources, and the moderating role of socioeconomic status may require additional investigation.

**Hamilton, Rebecca W,(2003) "Why Do People Suggest What They Do Not Want? Using Context Effects to Influence Others' Choices"Journal of Consumer Research. Vol-29(4),492-506** Previous research has demonstrated that people's preferences for an alternative can be reliably influenced by the other alternatives with which it is considered. This article examines the role of context effects in interactive decision making. Three studies examine people's intuitive abilities to influence others by leveraging context effects and their reactions when they believe others are manipulating the choice context to influence them. Experimental results show that people use context effects systematically when trying to influence others and, that under certain conditions, the perception of influence may enhance rather than decrease the effectiveness of this persuasion tactic.

**Ratchford, Brian T, (2001) "The Economics of Consumer Knowledge," Journal of ConsumerResearch,Vol27(4)pp397-411** While approaches to measuring the

state of a consumer's knowledge are well developed, much less is known about the relationship between knowledge and consumer choice and information search. The purpose of this article is to explore these relationships by treating consumer knowledge as human capital, which affects the full price of consumption and search activities. Using this framework, models are presented to explain life cycle consumption patterns, lifestyles, brand loyalty, choice of features, and search behavior. This economic perspective is compared and contrasted to other consumer research on these topics, including recent qualitative research that examines consumption behavior.

**Campbell, Margaret C, Keller, Kevin Lane,(2003)“Brand Familiarity and Advertising Repetition Effects” Journal of Consumer Research.Vol-30(2) pp292-304**

A crucial communication task for unknown brands is to build the knowledge in consumers' minds necessary to become established. However, communication effectiveness may depend on prior familiarity of the advertised brand. The findings of two experiments using television ads and computer Internet ads revealed that brand familiarity influenced repetition effectiveness. In particular, repetition of advertising attributed to an unfamiliar brand showed decreased effectiveness; when the same advertising was attributed to a known, familiar brand, repetition wear out was postponed. Negative thoughts about tactic inappropriateness were seen to arise with repetition, particularly for an ad for an unfamiliar brand, driving, in part, the decreases in repetition effectiveness.

**Weiner, Bernard(2000)“Attributional thoughts about Consumer Behavior”, Journal of Consumer Research.Vol-27(3)pp382-387**Two fundamental principles from attribution theory were examined for the role they might play in the psychology of the consumer. They are: (1) perceptions of causality along a stability dimension influence the anticipated likelihood of product satisfaction, and (2) perceptions of causality along a controllability dimension influence judgments of responsibility and retributive actions. Comments about the longevity of an attributional framework, methodological recommendations, and the heuristic value of the theory also are included.

**Cooke, Alan D J, Meyvis, Tom, Schwartz, Alan, (2001) “Avoiding Future Regret in Purchase-Timing Decisions” Journal of Consumer Research, Vol-27(4)pp-447-459.**

This article examines how pre- and postpurchase comparisons affect regret and satisfaction, and whether consumers learn to avoid decisions that result in regret. In the first two experiments, we show that information learned after the purchase has a greater impact on satisfaction than information learned before the purchase. In addition, negative price comparisons have a greater impact on satisfaction than positive comparisons. These results imply that if consumers who receive postpurchase information wish to avoid future feelings of regret, they should defer their purchases longer.

**Drolet, Aimee (2002) “Inherent Rule Variability in Consumer Choice: Changing Rules for Change's Sake”, Journal of Consumer Research, Vol29(3),Pg-293-305**

The present research demonstrates that consumers tend to vary their use of decision rules independent of option and set characteristics. In five experiments, increased choice of a particular option (e.g., lower price, brand name, or compromise option) was associated with relatively decreased choice of that same (generic) option on occasions that followed. Results indicate that this inherent rule variability is not an effect of background contrast but instead relates to consumers' favorable valuation of decision change itself. This

research implies that the idea of contingent decision making applies not only to decision outcomes but also to decision processes.

**Keller, Kevin Lane,(2003)“Brand Synthesis :The Multidimensionality of Brand Knowledge”,JournalofConsumerResearch.Vol29(4),Pg-595-600**The increased priority placed on branding by marketers in recent years offers an opportunity for consumer researchers to provide valuable insights and guidance. In particular, in highly competitive marketplaces, marketers often must link their brands to other entities, for example, people, places, things, or other brands, as a means to improve their brand equity. Understanding this leveraging process requires understanding consumer brand knowledge and how it changes from such associations.

**Shiv, Baba, Huber, Joel, (2000) “The Impact of Anticipating Satisfaction on Consumer Choice” Journal.Vol-27(2),pp 202-216**How do preferences change when consumers focus on the anticipated satisfaction with a purchase rather than choice? In a series of three studies, we show that preferences, both expressed and revealed, change depending on the degree to which anticipated satisfaction is evoked.These shifts in preferences arise because, compared to choice, anticipated satisfaction elicits a mental-imagery processing strategy that is both more effort intensive and qualitatively different. By providing direct evidence from thought protocols and by presenting evidence suggesting that these shifts in preferences vanish when mental imagery is discouraged or made more difficult, we show that the effect arises out of a processing strategy that requires effortful mental imagery of one or more of the options in the decision-making task.

**Marion M. Hetherington, Ali Bell, Barbara J. Rolls,(2000)Effects of repeat consumption on pleasantness, preference and intake, British Food Journal; 102(7) pp. 507-521** ,The pleasantness of a food declines with consumption and this phenomenon has been demonstrated reliably in the short-term. To investigate long-term effects of repeat consumption on pleasantness, preference and intake, 21 volunteers consumed either a salty snack (french fries) or sweet snack (chocolate) every day for 15 days. Four dependent variables were measured: pleasantness ratings, ranked preference, frequency of consumption and ad libitum intake. Daily pleasantness of taste ratings decreased across the exposure period only for chocolate. Ranked preference for chocolate declined during the sweet snack condition and increased during the salty snack condition. Preference for french fries remained the same during the salty snack condition and increased during the sweet snack condition. Frequency of consuming chocolate outside the laboratory decreased during the sweet snack exposure. No such pattern was found for french fries in either condition. Ad libitum intake in the laboratory remained the same over time for both foods. Short-term sensory-specific satiety within the eating episode was consistent over time.Therefore, long-term monotony effects were found only for pleasantness, preference and frequency of eating chocolate following repeated exposure, but these changes had no impact on ad libitum intake. Systematic, repeat exposure to a single food provides a useful paradigm for investigating the development of monotony.

**Rosemary Duff (1999) “Children's drinks - what children really think,”Nutrition & Food Science;Vol 99(3); pp. 136-139**This paper discusses the findings of a market research programme carried out by SMRC ChildWise on behalf of Tetra Pak UK Ltd, examining use of and attitudes to soft drinks among children and

mothers. This is a product field of increasing interest to children as they grow, and their appreciation develops from being totally product-focused, to include packaging and then brand considerations. The research examined behaviour across the key drinking occasions that make up the child's day, looking in detail at drinks consumed at school. It is at school that a child's freedom of choice develops, and awareness of peer group influences becomes increasingly important. Children are highly receptive to new brands and flavours, but also demand professional packaging and promotional input for brands to be credible. Younger children appreciate having their own individual carton with a straw but, for older boys, a can is preferred, whilst girls like the practicalities of resealable bottles.

**Van Osselaer, Stijn M J,Alba, Joseph W,(2000) Consumer Learning and Brand Equity, Journal of Consumer Research. Vol:27(1),pp 1-16** A series of experiments illustrates a learning process that enhances brand equity at the expense of quality-determining attributes. When the relationship between brand name and product quality is learned prior to the relationship between product attributes and quality, inhibition of the latter may occur. The phenomenon is shown to be robust, but its influence appears sensitive to contextual variations in the learning environment. Tests of process are inconsistent with attentional explanations and popular models of causal reasoning, but they are supportive of associative learning models that portray learners as inherently forward looking.

**Inman, J Jeffrey,Zeelenberg, Marcel,(2002)Regret in Repeat Purchase versus Switching Decisions: The Attenuating Role of Decision, Journal of Consumer Research, Vol. -29(1)pp 116-** It argued that there were situations in which repeat purchasing may cause as much or even more regret than switching. We contend that this effect depends on whether or not there is a justifiable basis for the decision. In a series of four studies, they show that if there is sufficient motivation to warrant a switch, consumers will feel less regret in the face of a subsequent negative outcome realized via a switch than in one realized via a repeat purchase. The results imply that feelings of regret are mitigated when the consumer reflects and concludes that the decision was appropriate under the circumstances.

**Suri, Rajneesh, Monroe, Kent B, (2003) “The Effects of Time Constraints on Consumers' Judgments of Prices and Products” Journal of Consumer Research, Vol 30(1)pp, 92-104,** It examines how time constraints influence consumers' product evaluations over different levels of price information. To understand the effects of time constraints (time pressure), a conceptual framework incorporating both the motivational and the resource effects of time constraints on consumers' information processing is developed. Using price as the attribute information to be evaluated, specific hypotheses about the effects of time constraints on the relationship between price and consumers' perceptions of quality and monetary sacrifice are proposed. The results of a replicated experiment show that perceptions of quality and monetary sacrifice exhibit different response patterns depending on the time constraints, price levels, and subjects' motivations to process information. Additional analyses provide insights into how these two perceptions are integrated to form perceptions of value.

### **Objectives of the study:**

- To study the general Media habits of the Consumers

- To study the consumer Response to advertisement
- To study about the factors of maximum impact on purchase decision
- To study the relationship between watching TV and likelihood of advertisement.
- To study the Brand awareness level in Females with respect to Malted Food.
- Study about the choice of product for children and their Price considerations

### **Research Methodology**

Sample has been drawn from a metro city of U P that is Meerut .This city is ushering into one of the modern mega cities consisting of consumers with diverse habits. Being cosmopolitan cities it attract people from all over India. These are marked with great diversity in the region, language, literacy level, customs, life styles and economic trends. This heterogeneity holds many implications to the marketers especially to those who want to study the decision making aspect of Indian consumers. Therefore, the selection of this city will represent a true perspective for the proposed study. **Income Class:** Respondents from only middle class families were selected for proposed study as this class is now emerging as the major consumption community of India.

**Age and Education level** The sample selected comprised of different localities and colonies of Meerut and Ghaziabad city which represent the urban population. The sample consisted of men and women of more than 20 years age. The number of respondents constituting the sample was 125 coming from different occupations and education levels, income and age groups. The reason for selecting these variables was that they do play a vital role in decision making. As per education of the respondents it was categorized in five groups mainly matriculate (non-graduate), graduates, postgraduates, professional and other. Only consumer non-durables, non-perishables that are usually bought by the people of all income class were covered in this research. The products meeting these criteria that were selected were six non-durable products Toothpaste, hair oil, Tea, washing Soap, Bathing soap and malted food but the present paper study is limited to malted food only.

### **Sources of Data**

The data sources are considered to be primary because it had been collected by administering questionnaire covering demographic, qualitative and quantitative aspects of human behavior. The questionnaire had been pre-tested before its administration. The methodology to be employed in the proposed study was cross-sectional in nature. The analysis was be mainly carried out keeping in view about occupation, education, age supplemented with the income variable.

### **Survey results**

#### **Gender distribution.**

On the basis of questionnaire administered the total number of male respondents were 68 (54.4%) and female respondents were 57 (45.6%) of total sample size of 125 in Meerut. It represents a balanced Gender distribution.

### **Age Distribution**

The total number of respondents between age group 20-30 were 38 (30.4%), age group 30-40 were 44 (35.2%), age group 40-50 were 27 (21.6%) and age group of 50 & above were 16 (12.8%) of total sample size of 125 in Meerut.

### **Education**

The level of education is high most of the respondents were Professional 37 (29.6) & Post-graduate 36 (28.8%), total number of respondents who are graduate 34 (27.2%), and non graduates are 9(7.2)and apart from these others are9(7.2%) of total sample size of 125 in Meerut.

### **Employment status**

The no. of respondents in government service is 27 (21.6%), Business 26 (20.8%), Private service 31(24.8%) and apart from these that is other is 41(32.8%) of the total respondents.

### **Monthly income**

The respondents having total monthly income less than Rs.6000 are 2 only(1.6%),Between Rs.6000-10,000,are 25(20.0%),between Rs.10,001-14000,are 54(43.2%)and above Rs.14000 constitutes 44(35.2%) of the total respondents.

### **Family size**

The family size having 0-2 members are 12(9.6%), member having 2-4 (46.4%),family members having 4-6 30(24.0%) and family members above than 6 members are25(20.0%) of the total respondents.

### **General media habits**

This is a prominent factor which affect their buying decision regarding the nondurable products. The respondents who spent more than three hours in watching T.V. are10(8%),2-3 hours,22(17.6%) and 1-2 hours 49(39.2%) and less than 1 hour 43(34.4%) .The respondents who never watch T.V. has also been included and one(.8%) respondent out of total never watch T.V.

### **The consumer response to advertisement**

The results show that 42 (33.6%) respondents find TV. advertisements interesting whereas 26 (20.8%) find it boring and 57 (45.6%) say as O.K.This result shows that the media habits and the interest created through advertisement are one of the factors which affect the buying decision of consumers.

### **Media habit and consumer response to TV advertisement**

**H0: There is no significant relationship between watching TV and likelihood of advertisement.**

**HA: There is significant relationship between watching TV and likelihood of advertisement.**

33.6% respondents find T.V advertisements Interesting, 20.8% of the respondents feel Boring whereas 45.6% respondents feels OK. The calculated value of **Pearson Chi-square is = 71.019** which is greater than **Critical value 15.5 at 5%** level of significance with **degree of freedom V=8**. This shows that the hypothesis between watching T.V and Liking of advertisement is rejected. It shows that there is significant relationship between watching T.V and liking of advertisement seen on the T.V.

**Maximum impact on purchase decision pf non-durable products**

The results show that maximum impact on consumers is the T.V. having 71(56.8%) and second major impact factor is the friends,neighbours and family members .The maximum impact of newspaper is on only 4(3.2%), magazines4(3.2%),dealers and retailers impact 6(4.8%), window display2(1.6%) and other sources areonly3(2.4%).

**Product awarness**

**Ho-Brand awareness level is independent of gender with respect to Malted Food.**

**HA-Brand awareness level is dependent on gender with respect to Malted Food.**

42.4% male respondents are less awaere,12.0% male respondents are aware, 0% respondents are moderately aware about the brands of the bathing soap but no male respondent was found highly aware about the brands at the same time 24.0% female respondents are less aware about the brands, 12.0% are aware, 8.0% are moderately aware and 1.6% respondents are found highly aware about the brands .The calculated value of **Pearson Chi-square is = 17.541** which is greater than critical value **7.81 at 5%** level of significance **with degree of freedom V=3** this shows that the hypothesis is rejected . This means that there is no significant relationship between brand awareness of the malted food and gender.

**Brand Loyalty**

The result shows that most of the consumers are brand loyal as 65(52.0%) consumers are using the brand for more than 5 years whereas 2-5 years using category is14(11.2%) and 6months to 2 years are31 (24.8%) and the consumers using the toothpaste for less than 6 months are 15(12.0%).

**Purchasing specific brands and brand loyalty.**

The insistence of their specific choice at every purchase gives an idea about their brand satisfaction leading to brand loyalty. According to the research results the consumers are brand loyal as 48(38.4%) who always insist for specific brand at every purchase whereas 71(56.8%) sometimes insist for specific brand of the product but only 6(4.8%) never brand specific while purchasing the product specially in non durable category.

Comparative analysis of decision factors with regard to selected products. Amongst the factors influencing decision making of the brand of malted food, the most prominent is the nutritional value of the malted food that is 88(70.4%).The price as influencing factor

is found in 6 (4.8%), Flavour 12 (9.6%), taste factor 10 (8.0%), availability 9 (7.2%), whereas pack advertisement, size and celebrity as influencing factors are not found in the respondents. This shows that attributes of the product play a prominent role in decision making by the consumers especially in malted food.

### **Gender, price and purchase of malted food**

**Ho:** There is significant relationship between Price and the most influencing factor in purchase decisions.

**HA:** There is no significant relationship between Price and the most influencing factor in purchase decisions.

No male respondent is price sensitive, 31.2% respondents prefer the attribute of nutritive value of product Malted food for purchasing whereas, 7.2% male respondents prefer the flavor of the Malted food which may be the liking of children and 3.2% respondents are influenced by the pack size of the Malted food. No male respondent is motivated by the celebrity as well as advertisement for purchasing Malted food. Similarly the nutritive value of the product is the highest factor for preferring Malted food 31.2% in female whereas the price 4.8% and in this case advertisement are not influencing factors for purchase of Malted food it's worth mentioning the; size and celebrity are not influencing factors for middle class females. The calculated value of **Pearson Chi-square is = 16.228** which is greater than **critical value 11.1 at 5%** level of significance **with degree of freedom V=5** this shows that the hypothesis is rejected. This means that there is no significant relationship between prices of the Malted food as influencing factor with respect to gender.

### **Price sensitivity in the purchase of non-durables.**

On the basis of results regarding the role of price as most important factor in making purchase decision for these non-durables, it has been observed that 25.6% of the total respondents never consider Price as most important factor for buying these products but 24.8% always consider price as most prominent factor whereas 49.6% respondents sometime consider it as important during the purchase decision.

### **Perception of consumers regarding highly priced brand of a product and quality consideration compared to other brands**

On the basis of results regarding the role of high price as mark of better quality as compared to other brands in making purchase decision for these non-durables, it has been observed that 7.2% of the total respondents never consider high Price as mark of quality product for buying these products but 44.0% always consider highly priced product as prominent in quality whereas 48.8% respondents sometimes consider it as mark of quality during the purchase decision.

### **Family roles in decision making**

On the basis of results regarding role of family members in buying decision of malted food, it has been observed that 6.4% of the total respondents are husband and 34.4% wife while 22.4% respondents jointly make the decision regarding the brand of



toothpaste. Where as 32.0% respondents are children and 4.8% role is played by other family members.

### **Influencing factor for the brands for children**

It has been observed that while selecting the brand of the product for the children the most influencing factor considered by the respondents are the children choice where as the quality consideration is the second prominent factor in this regard. According to the results 44.8% respondents concluded their children choice as the most important factor influencing their decision. Quality has been preferred 43.2% respondent and price 7.2% has not been considered an important factor for the brand purchased for children only 1.6% respondents considered other members opinion and 3.2% respondents decision making was not in the context of children product since it was not applicable to them.

### **Price and specific brand for children**

While selecting the brand of the product for the children, the 30.4% respondents always purchase specific brand for their children even if it is highly priced. These results show the significance of children role in brand preferences. 59.2% respondents sometimes purchase the highly priced brands, where as 7.2% respondents never go for specific brand if it is highly priced. 3.2% respondents are out of the context of this situation.

### **Retailers' role in purchasing**

It has been observed that in most of the situation, 63.2% respondents sometimes purchase the brand suggested by the retailer this show the important role in purchase decision making for non durable goods. 32.8% respondents never purchase the brands suggested by the retailer where as 4.0% respondents always go for buying the brands suggested by the retailer.

### **Retailers role and age groups**

**Ho - The role of retailer is significant in high age group.**

**HA - The role of retailer is insignificant in high age group.**

In the age group of 20-30, 4.0% respondents never purchase the brand suggested by the retailer, 26.4% respondents sometimes buy the brands, but no respondent in this age group always go for purchasing the brand suggested by the retailer. In the age group of 30-40, 12.8% respondents never buy the brands suggested by the retailer where as 22.4% respondents sometimes considered to buy the brand suggested by the retailer. In the age group of 40-50, 6.4% respondents do not considered the brand suggested by the retailer where as 11.2% sometimes, 4% respondents always considered to purchase the brand suggested by the retailer. In the age group of 50 above 9.6% respondents never consider and 3.2% always consider to purchase the brand suggested by the retailer. The calculated value of **Pearson Chi-square is = 39.165** which is greater than **critical value 12.6 at 5%** level of significance **with degree of freedom V=6** this shows that the hypothesis is rejected. This means that there is no significant relationship between the age group and the role of retailer in buying practices.

### **Relationship between purchasing specific brands for children and age**

Ho-There is a significant relationship between purchasing specific brand for children and age.

HA-There is a no significant relationship between purchasing specific brand for children and age.

In the age group of 20-30, 5.6% respondents never purchase the brand if it is highly priced, 21.6% respondents sometimes buy, but 1.6% respondent in this age group always go for purchasing the brand even if it is highly priced. In the age group of 30-40, no respondents never, 19.2% always buy the brands for children even if it is highly priced 15.2% respondents sometimes considered to buy the brand. In the age group of 40-50, 1.6% respondents' consider to purchase the brand for children if it is highly priced where as 12.0% sometimes, 8.0% respondents always considered to purchase. In the age group of 50 above no respondents consider to purchase highly priced brand and 6.4% respondent sometime, 5.6% always consider the highly priced specific brand for the children.. The calculated value of **Pearson Chi-square is = 25.864** which is greater than **critical value 16.9 at 5% level of significance with degree of freedom V=9** this shows that the hypothesis is rejected. There is a no significant relationship between purchasing specific brand for children and age.

### **Brand and price relationship**

3.2% of respondents never compare the prices with other brands whereas 52.8% respondents sometime and 44% respondents always compare the prices of other brands .

### **Brand promotion and gifts**

With respect to the promotional factor offered by the companies which may be in the form of free gift or something extra with the actual product, it is observed that 12.8% respondents never, 68% sometimes whereas 19.2% respondents are always motivated to buy the products with promotion pack or free gift.

### **Brand Vs. total income**

**Ho-Selection of the brand is independent on total monthly income of the family.**

**HA-Selection of the brand is dependent on total monthly income of the family.**

The results show that respondents having income less than Rs.6000 which is 1.6% of total always compare the prices of other brands, respondents having income Rs.6000-Rs.10000, which is 20% of total in which 8% sometime, 12% always compare the prices of other brands in the same product category. Similarly the respondents having income Rs.10000-Rs.14000 which is 43.2% of total, out of this 20.8% sometime and 22.4% always compare the prices with other brands whereas in the income category of above Rs.14000, which constitutes 35.2% of total respondents, 3.2% never, 24.0% sometimes and 8.0% always compare the prices of other brands with the same product category. The calculated value of **Pearson Chi-square is = 19.550** which is greater than **critical value 12.6 at 5% level of significance with degree of freedom V=6** this shows that the

hypothesis is rejected. There is significant relationship between purchasing specific brand and income of the consumers.

### **Choice of specific brands and age**

**H0- The relationship between Choices of specific brand is independent of age.**

**HA-The relationship between Choices of specific brand is dependent of age.**

The results show that in the age group of 20-30, which is 30.4% of total, 4.8% respondents never purchase the specific brand at every purchase, 22.4% respondents sometimes insist to buy specific brand of the product, but only 3.2% respondents in this age group always go for purchasing the specific brand. In the age group of 30-40, which is 35.2% of total, 0.0% respondents never, 16.8% sometimes insist to buy the specific brand, 18.4% respondents always insist to buy their specific brands. In the age group of 40-50, no respondents consider to purchase the specific brand where as 14.4% sometimes, 7.2% respondents always insist to purchase their specific brand of the product. In the age group of 50 above 0.0% respondents never insist and 9.6% respondent always insist specific brands to purchase. The calculated value of **Pearson Chi-square is =35.249** which is greater than **critical value 12.6 at 5%** level of significance with **degree of freedom V=6** this shows that the hypothesis is rejected. There is a no significant relationship between purchasing specific brand and age.

### **Purchasing specific brands for children and price**

**H0:- The choice of product bought for children is dependent of their Price.**

**H1:- The choice of product bought for children is independent of their Price.**

It is observed that the quality factor, which constitutes 43.2% of total, out of which 22.4% say sometime, 20.8% respondents always buy specific brands even if it is highly priced whereas only 7.2% respondents of total, out of which 4% respondents never and 3.2% sometimes buy specific brand for their children even if it is highly priced. Similarly children's choice counts 44.8% of total, out of which 1.6% say never, 33.6% say sometime and 9.6% respondents consider always buy the specific brand even if it is highly priced. Similarly other factors which influence the respondents for their children constitutes only 1.6% of total, 1.6% respondents never consider price as determining factor for buying. This consideration was not applicable on 1.6% respondents. The calculated value of Pearson Chi-square is =197.725 which is greater than critical value 21.0 at 5% level of significance with degree of freedom V=12 this shows that the hypothesis is rejected. It means that the choice of product bought for children is independent of their Price.

### **Findings**

- **Relationship between watching TV and likelihood of advertisement-**
- This shows that the hypothesis between watching T.V and Liking of advertisement is rejected. It shows that there is significant relationship between watching T.V and liking of advertisement seen on the T.V.
- **Advertising Effect-**Research reveals that consumers' response to advertisements when Interesting and O.K. are put together, 78%(M) and 85%(G) shows that low

involvement media are highly effective for non durable products ads because it does not offer much involvement due to Cognitive Economy of the consumers but the response about the child product has been asked from the other family members and it came out that even they are not the actual purchaser of their product even then their choice is of paramount concern for the parents and it can not be ignored in any case. They act as “passive dictators” of the choice in the purchase for malted food.

- **Consumers’ media habits-** About 92% respondents agreed that they watch TV one to two hours everyday which shows the effectiveness of electronic media over other available mode of market communication. People not only watch TV at differing levels but they also have multiple motives for watching. Some of the consumers watch it as the programmes have become like friends (ritualized), many people view TV to elevate their moods or to escape from cares and worries and for some consumers it used to keep them up-to-date on current events and get “food for thought”. Many consumers watch it because their family or friends are watching but after all they are either active or passive learner to those advertisements.
- **The choice of product bought for children is dependent of their Price.** The relationship between choice of the specific brand bought for children and price of the product has been observed. It is observed that the choice of product bought for children is independent of their price. The reasons are that the amount of influence exerted by children varies by product category and stage of the decision making process. For certain products they are instrumental in initiating a purchase, while for others, they make the final selections themselves. The purchasing act is governed by how they have been socialized to act as consumers. Family, peers and media are key socializing agents for children wherein family-specific characteristics such as parental style and patterns of communication play key roles.
- **Selection of the brand is dependent on the income of the family-**There is significant relationship between purchasing specific brand and income of the consumers. The study shows that awareness about the different brands available in the market is independent of age of the consumers. It also reveals that the attention about the various brands are not a matter of more interest because their choice are usually overridden by the children’s choice of taste and purchase premiums offered by the companies through their advertisements.
- **Quality Considerations Vs. Price-**Perception of Consumer regarding highly priced brand of a product and quality consideration compared to other brands has been established. The consumers quality perception is directly linked with the price of the product.
- **Maximum Impact on Purchase decision-**The study reveals that TV advertising has maximum impact on their decision making. The more they are exposed to various advertisements the more passive effect of this media makes on their brand awareness as well as the level of learning about non durable products. Second most influencing factor on their purchase decision was the friends and neighbors. This proves the study done by H David Strutton and James R Lumpkin that early adopters are more dependent on mass media for information .Subsequently they show greater reliance on friends and family members to help them evaluate new products and word of mouth influence increases in importance as early adopters progress from awareness to knowledge, evaluation, trial and adoption especially in the case of non durables.

## Conclusion

Children constitute three different markets: the primary, the influencer, and the future market. Certain products are simply children's products for which they are the primary users/buyers. They sometimes either purchase a product themselves or select the product before it is purchased by the parents. For other products, such as ones which are used by the entire family unit, they may influence purchases made by the parents. There are some products where children wield direct influence or pester power by overtly specifying their preferences and voicing them aloud. For other products, parents' buying patterns are affected by prior knowledge of the tastes and preferences of their children. This 'passive dictation' of choice is prevalent for a wide variety of daily consumed product items like "malted food" as well as products for household consumption. Also, decision making in households is seen to change with the mere presence of children. The nature of joint decisions in couple decision making units and family decision making units is seen to be different.

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Volume 6

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## Contents

---

### Articles

**Retail internationalization: Lessons from "Big Three" global retailers' failure cases**

Jay Sang Ryu, Jeff J. Simpson

**Business trends and logistics challenges in the Western European retail industry**

E. Sandberg

**Study of the comparative perception of retailers towards factors affecting sales growth of private labels in India**

Rajendra Jain, Sonal Gupta

**'Custom-Standardization' - Uncovering the basis for global chaining strategy in prepared food retail**

Ray Titus, Debashish Sengupta

**Consumer Decision-Making Styles: Relationships with Consumer Alienation**

David J. Burns

**The impact of 'Brand equity' determinants on consumers' purchase decisions. A case study of the processed food sector in the national capital region of India**

Mukund Kumar

**Impact of retail services on retail sales**

V V Devi Prasad Kotni

**The relationship between the "Big Five" personality traits and customer satisfaction: A case study of Melli Bank Kerman, Iran**

Zhaleh Zohreh Kermani

**Does an ATM surrogate a branch of a Bank in India?**

Padmasree. Karamala, Bharathi Devi. Anchula

**Hairdressers in the UK: Time to Regulate the 'Candy Floss Profession'?**

**Part one - the genesis of a profession and the cast of characters, real and fictional, which colours the canvas**

Peter Shears

**The Role of Micro-businesses in the Socio-Economic Development of Ilocos Norte, Philippines**

Eric S. Parilla

**"Passive Dictators" of the family and consumer behaviour: A case of malted food**

Akhilesh Chandra Pandey , S. P. Kala