

Impact Of Retail Atmosphere On Shaping Customer Experience And Moderating Effects Of Location

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Abstract: This research explores the relationship between retail atmosphere and the experience of the customers who shop in hypermarkets. Further the paper also explores the moderating role played by location. Moderating effects are observed when the relationship between the two variables undergoes significant changes in the presence of the moderating variable. The study was carried out using a structured questionnaire involving 193 respondents. General linear method was employed to analyse the collected data. Moderating effects were observed in the relationship between retail atmosphere and customer experience in the case of hypermarkets. The first impression of a customer which creates initial excitement can be attributed to the physical environment to which the customers are introduced. In the case of hypermarkets it can be seen that retail atmosphere does not play significant role but location as a moderator changes the relationship. The study will assist the retailers to understand the importance of establishing their stores in favourable locations. Therefore it becomes essential for the retailers to consider the role of location while developing retail policies. Retailing holds a great promise in offering employment and thereby contributing to the economic development of a vast majority of people. Therefore studies focussing on customer experience are necessary to increase patronage of organised retailing in India. Further studies could focus on other types of retail formats.

Keywords: Customer experience, Location, Moderator, Organised Retailing, Retail atmosphere

1 INTRODUCTION

CEM (Customer experience management) is actually a business plan which helps to handle the experience of the customer. It results in a win-win situation for both the retailer and the customers. Previous studies have identified a number of strategies that are known to convey a better experience which results in increased satisfaction of customer, more visits to the shop, bigger share of purchase and huge profits (Grewal et al 2009). The term customer experience has become important for companies that are big and small in their determined efforts to pull and retain customers. The motive being a good customer experience helps to differentiate the company from its competitors. Organizations need to build expertise in order to create and manage positive customer experiences that leave long term impressions in the minds of the customer. Managing every experience of the customer is the important and essential component in creating customer loyalty (Crosby and Johnson 2007). The spotlight of retailing is moving from simply carrying out transactions or exchanges to forming relationship bonds by giving better experiences. Retail experience is defined as the sum of all the elements that influence the customers during their interactions with the retailer (Berman and Evans 2007). According to Jain and Badgare (2009) customer experience in the emerging new format retail stores has to be evoke the interest, involve the customer and hold their attention for a longer duration. Customer experience also reshapes the expectations of the customer and it influences future purchases that are carried out by the customer.

starting from browsing for products, carrying out price comparisons, initiating search for product, evaluating merchandise quality and variety including the communication with store employees (Terblanche and Boshoff 2001). Colours, light arrangements, music played, arrangements of various items, captivating smell and flawless layout influence consumer experience in a number of ways. Experience acts as a chief differentiator in providing aggressive edge over competitors (Berry et al 2002). Traditional formats are slowly giving way to newer retail formats namely departmental stores, malls, hypermarkets, supermarkets and specialty stores which focus on a single line of product. Malls are being established in metro cities and also in tier-2 cities, which is redefining the shopping experience of the Indian consumer. Organised retail concept has entered India in form of malls and offering bigger outlets like hypermarket which are providing shopping, entertainment and leisure to the consumer under a single roof. The retailers are constantly testing the market with a variety of formats or a combination of the best characteristics of the different types retailing to get the competitive advantage over other retailers. Mom and pop stores and unorganised retailing still continue to enjoy customer patronage in comparison with the other organised retail formats mainly because of the comfort reason. Therefore it is important to know the impact of the various factors that contribute towards a better customer experience which would enable the organised retail outlet to succeed in the volatile environment.

2 LITERATURE REVIEW

To gain customer confidence and long term benefits with sustained profits, organisations must ensure a seamless and unique experience at the time of providing service and interaction with the customers (Lovell et al 2004). Customers usually undertake a shopping decision depending upon the presence of other retail stores nearby, other establishments that offer entertainment and leisure.

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The reason for shopping can be divided into three they are directed towards acquisition of products, shopping experience or it may be a combination of both. The last category of people would like to obtain a product as well as enjoy a better shopping experience (Ibrahim 2002). Organisations need to understand the significance of shopping experience and its role in adding value to the offering (Berry et al 2002). Merely providing the product or services as requested by the customer is not sufficient. Companies have to supplement their offering with better experience. According to Gilmore and Pine (2002) the best way to retain customers is by engaging them with an experience that can be remembered for a long time. This experience should be available for both brick and mortar as well as for online stores. Technology nowadays acts as a key enabler for providing a good customer experience to the customers (Corbett 2006). According to (Shaw 2005) Customer Experience can be defined as a combination of the various factors that is carried out by the organization when the interaction happens with the customer. Customer experience is the next important field that will enable the organisation to differentiate itself on all fronts on comparison with its competitor. When the marketing mix offered by organisations is the same, the experience offered by the organisation may act as differentiator. The important thing that the customers are able to recollect above the other factor is experience provided to them. Thus the importance of business organisations shifting to offering a better experience is justified. Baker et al (1992) observed that the music played in retail outlets has been found to have a positive effect on shopping by customers. It is one of the least expensive factors that create memorable experience for the customers. The music played enables the customer to peacefully and positively evaluate the store environment (Hui et al, 1997). Different types of music have different effect on the customer. A fast beat or country music is suitable for discount or no frills store whereas classical music is usually played in high end retail stores which reinforces luxury and status (Areni and Kim 1993). According to Levy and Weitz (2004), the atmosphere in a retail setting can make the customers care less about the waiting time, since it can keep them occupied for a longer duration of time. The stores can use their layout which can be defined as a way of showcasing their products to change the perception of the customer. The store atmosphere can be further augmented through the use of appropriate sign, graphic materials, and light and colour concepts. According to Bitner's (1992) conceptual framework for service environment, gives a clear picture of the various factors that affect the environment and in turn has an impact on the customers as well as employees. The framework is based on the assumption that the immediate environment around humans has an influence on their behaviour. The service environment can be divided into three components namely conditions, layout and signs and symbols. The environment enables an individual to form a perception in the minds of the customer that results in patronage or avoidance of the particular retail outlet. Customer experience is essentially delivered through music, display, fragrance, light and ambience. This affects the sensory experience of the customer. The above factors not only impact the response from customer but it also adds up to the memorable and

enjoyable experience. This creates a positive brand image (Jain and Bagdare 2009). The environmental psychology theory highlights the prominent role played by space and its capacity to ensure that the goals of the customer are satisfied (Canter 1983). Many studies have highlighted the importance of music. A study by Hui, Dube, and Chebat (1997) highlights that atmosphere plays a vital role in shaping customer perceptions. Mehrabian and Russell (1974) observe in their study that the elements of physical environment when poorly designed may corrode the satisfaction derived by shopping and also negatively impacts the behaviour of the customer. Baker et al (2002) classify the features of in-store atmosphere into physical elements like design, lighting, and layout, ambient elements like music and smell, and social elements like type of customer, employees and their friendly behaviour. According to their study it can be seen that atmosphere can have a direct effect on consumers' perceptions of the various costs namely economic cost and psychological costs of purchasing a product in a store and also find that it lowers both the costs whereas music reduces the psychological cost. Thus it can be summarized that pleasant store atmospherics provide considerable hedonic utility to customers and encourages them to visit the retail outlet frequently, spend more time at the outlet, and encourage the customers to increase frequency and quality of purchase. Although the merchandise sold by the store is similar to other competitor stores, the retail atmosphere makes a significant difference and in building a better customer experience. Even if the products and brands stocked by a retailer are similar to others, the ability to create a strong in-store personality and rich atmospherics can play a crucial role in building customer experience.

3 RESEARCH QUESTIONS

The following research questions are formulated:

1. In the case of hypermarkets, whether there exists a relationship between retail atmosphere and customer experience?
2. Does location play a significant moderating role on the causal relationship between retail atmosphere and customer experience?

Based on the research questions the objectives for the study was framed as

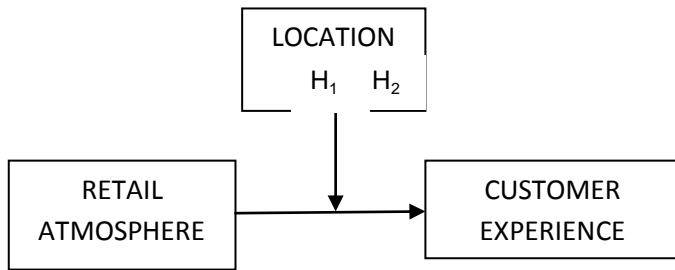
1. To analyse the relationship between retail atmosphere and customer experience for hypermarkets.
2. To investigate the moderating role played by location on the causal relationship between retail atmosphere and customer experience.

4 SCOPE

- The study focuses completely on the organized retailing sector in India.
- The study is limited to a particular organized retail format specifically hypermarket.
- The study is carried out in Chennai, which is one of the most lively and urbanised market of south India.

5 RESEARCH METHODOLOGY

Figure 1. Moderating role of location on the relationship between retail atmosphere and customer experience



5.1 DEFINITION

Retail atmosphere – The retail store atmosphere can act as an important influencer for the customer. The atmosphere of the retail store is measured by taking into account important parametric such as design/layout, music and temperature. Ailawadi and Keller (2004) in their study highlight the importance of factors such as design, music and colour impact the decision of the customer to patronise the retail store and also the amount of money and time that the customers expend in the store.

Location- Reilly (1991) in the “The law of retail gravitation” states that the force of attraction of a shopping unit can be said to be inversely proportional to the time taken for driving from the customer’s house to the shopping unit. An ideal location reduces or minimises the various costs that are a part of shopping (cost of moving, time) and thereby provides a better experience to the customer.

5.2 RESEARCH HYPOTHESIS

The retail atmosphere is highly influences the two variables namely insight of the customer and the behaviour of the customer. The various atmospheric elements also determine the buyer behaviour and also patronage decision of the customer. It also impacts the resources of the customer namely time and money. The atmospheric can also impact the image carried by the customer regarding the quality of the goods carries by the retailer (Ailawadi and Keller 2004). The outside façade, the inner atrium, soft music that is played, clean and spacious corridors collectively create a pleasant ambience in the retail store (Banerjee and Dasgupta 2010). Every customer seeks convenience of entry and exit as well as finding he required product as the most important element to patronise the store. Therefore haphazard store design or layout is viewed negatively and pulls down the overall satisfaction with the store (Titus and Everett 1995). A complex store layout may increase search time and confusion among the shoppers. Music has a very strong impact on the retail store customers. It influences the shopper sub consciously manipulating the thinking, feeling and ultimately the behaviour. Hence music is considered to be a strong force even that it is not visible directly (Jain and Badgare 2011). Based on the above arguments it can be inferred the

H₁: Retail atmosphere impacts the experience of the customer.

The customers of retail stores seek convenience as the key benefit in the present scenario. According to this it can be seen that the customers perceive that the opening and closing hours, the area of the shop and the facilities to park their vehicles impacts their satisfaction with the store/service (Berry et al 2002). According to the central place theory suggested by Craig et al (1984), the prominent places in the middle of the city and places identified as shopping districts offer a huge selection of goods to the customers along with numerous services, which acts as the major attraction drawing people from other areas where the customer is presented with fewer choices. Other studies suggest and confirm that access to particular shopping area has high correlation with its selection (Bellenger et al 1977). According to Hansen and Deutscher (1978) other amenities for convenience of customer offered by retail outlets also has the capacity to draw customers to an outlet. From the above studies it can be inferred that

H_{2A}: Location of the retail store significantly influences the experience of the customer.

H_{2B}: Location of the retail store moderates the effect of the atmosphere on the experience of the customer.

5.3 POPULATION AND STUDY AREA

The population that was used for this particular study includes all Chennai customers who are within the age group of 18 and 70, and those whose who have made purchases in the various organised retail stores of Chennai. Hence the population of the study can be said as active shoppers. The age group is specifically considered as it is can be seen that they are the primary decision makers and therefore become the target group for Indian retailers. It can be seen that the size of the population is immensely huge. The respondent for the study can be defined as a person who does shopping in the various hypermarkets (organised retail format) that are available in the Chennai city.

5.4 SAMPLING TECHNIQUE

Convenience sampling was used specifically for this study. It is a type of non probability sampling and more suitable since the population of the study is considerably huge. The survey was conducted using a structured questionnaire which was administered to the respondents at their residence. Out of the 250 questionnaires that were distributed only 193 questionnaires were found to be suitable for data analysis.

5.5 DATA COLLECTION

According to Tull and Hawkins (1987) the survey data can be defined as “the systematic collection of information directly from the respondents”. The primary data can be collected through various means namely telephonic interviews, direct scheduled interviews, questionnaires or through group discussions conducted by experts. Primary data was obtained from the customers of hypermarket by means of circulating the structured questionnaire. Secondary data that are essential for the study are mainly

collected from the previous research papers, published industry reports, magazines, newspapers, textbooks and from the various websites. The structured instrument (questionnaire) was tested for internal consistency using the reliability analysis (Cronbach's alpha). The results of the reliability analysis were in the range 0.75 to 0.9 which very well surpasses 0.70 limit of acceptability. The customers who took part in the pilot testing of the questionnaire were kept away from the final study.

5.6 DATA ANALYSIS TOOL

The relationship existing between the DV (dependent variable) and IV (independent variable) was established using Multiple Regression Analysis. GLM (General linear method) was used to test the moderating effects between the variables.

5.7 DATA ANALYSIS

Hypermarkets can be defined as large format retail outlets where the customers can buy a variety of items namely groceries, food products, apparels, electronic appliances, durable goods, toys, cosmetics, toiletries, books and music at prices that are way lower than the maximum retail price by 5 to 50 percent. The descriptive statistics are shown below in the table 1

Construct	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
Customer experience	4.5323	.07943	1.10354
Atmosphere	4.7698	.09797	1.36105

Table 1: Constructs, mean and standard deviation for hypermarket.

The generalized equation for regression is

$$CE = a + \beta_1 RA$$

ModelNo	R Value	R Square Value	R Square Value (Adjusted)	Standard Error of the Estimate
1	.843	.711	.698	.61400

Table 2: Summary statistics for multiple regression hypermarket

From the values of result in table 2 and table 3, it can be seen that overall model for hypermarket resulted in a significant value (F=54.552, p<0.000) and R² (adjusted) of 0.698.

Model	SS (Sum of Squares)	df	Mean Square	F Value	Significance
Regression	164.528	8	20.566	54.552	.000 ^a
Residual	66.729	177	.377		
Total	231.257	185			

Table 3: Significance Value for hypermarket

It can be seen that atmosphere of the retail outlet has no significant effect on the experience construct for hypermarkets.

Model	Unstandardized Coefficients		Standardized Coefficients	T value	Significance.
	B value	Std. Error	Beta		
(Constant)	.047	.241		.194	.846
Atmosphere	-.003	.049	-.004	-.060	.953

Table 4: Effect of predictor and beta estimate values for IV on DV in the case of hypermarket.

Table 5 shows the moderating effect of location on retail atmosphere and customer experience using the general linear method.

Source	Sum Squares (Type III)	df	Mean Square Value	F Value	Significance.
Location	28.097	1	28.097	42.458	.000
Atmosphere	17.504	1	17.504	26.451	.000
location * atmosphere	11.888	1	11.888	17.963	.000
a. R Squared = .465 (Adjusted R Squared = .457)					

Table 5: Two-way Analysis of Variance of moderator and IV on DV for hypermarket

The effect of location (moderator) on experience of the customer (F_(3,189) = 42.458, p<0.1) was supported. The interaction effect of location (moderator) and retail atmosphere (independent variable) on customer experience (dependent variable) for hypermarket as hypothesized (F_(3,189) = 17.963, p<0.1) was supported at 10% level of significance (table 5).

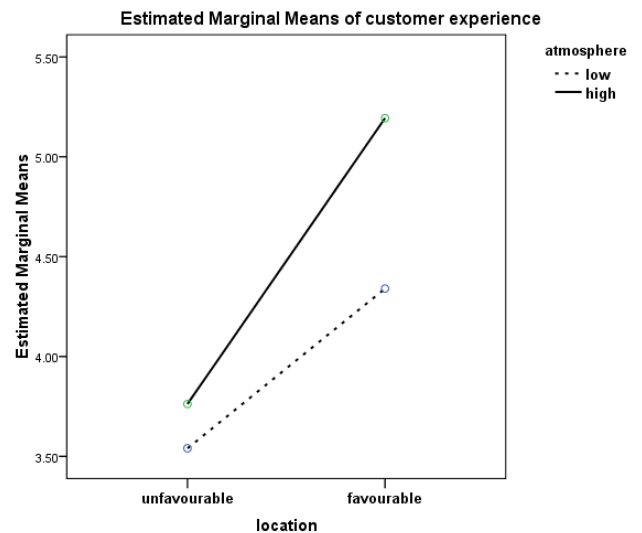


Figure 2: Interaction effects of location (moderator) and retail atmosphere (IV) on experience of customer (DV) for hypermarket

From the figure 2 it is inferred that an increase in location moderating variable increases experience of the customer when retail atmosphere value is high. Whereas an increase in location, increases experience of the customer when atmosphere value is low. Thus when the hypermarket is

located at a favourable location, customer experience is greater regardless of the value of atmosphere. The retailer must pay significant attention to the location aspect of the hypermarket. A favourable location increases the convenience of the customer who is otherwise deprived of time, under such circumstances the ability of the retailer to stay put in a particularly favourable location (either at the centre of the city or at an accessible place) can easily conceal the differences in the retail atmosphere of the store to a greater extent.

6 CONCLUSION

In the case of hypermarket interaction effect exists for retail atmosphere. Only main effects are supported for service interface, assortment, price and alternate channel experience. The results of the study have significant theoretical and managerial contributions. The study will help the retailers, managers of retail outlet, people employed for sales and researchers to know the factors that could help in creating a better experience for the customers which will surely impact business outcomes of retail customers. In the current scenario, it is seen that merely customer satisfaction is not enough since the retail landscape offers the customers with unlimited choices and the intensity of competition is very strong among the numerous players in the market. In this situation the basic expectation of the customer is to be satisfied. This clearly forces the retailers to not just understand and satisfy the customers but also to create a superior customer experience (Schmitt, 1999), which will act as the differentiator in the retail industry. The retail store location and the distance that the shopper needs to travel in order to access the outlet are the basic criteria in preference of a particular retail outlet. Customers consider convenience to be the major criterion. Hence retailers should locate their stores at central locations which are easily accessible from different places, well connected by public transport facilities, have parking facilities and without concerns of congestion and security. In summary, location acts as an important factor in retail consumer's evaluation of total cost of shopping and is it necessary for the retailers to ideally situate their stores at vantage points to enhance customer experience.

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