

Consumer satisfaction in retail stores: theory and implications

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Abstract

The substitution of small retail stores by the large stores has been a topic of debate among academics, practitioners, retailers and general public, especially in the context of foreign firms entering emerging markets such as China and India. The purpose of this research is to find out the determinants of consumer satisfaction in small and large retail stores in an emerging market, with a sample from India. Data were collected using a 39-item structured questionnaire developed by the authors. The sample consists of 225 consumers who shop at retail outlets (Convenience sample of 125 consumers from small and 100 consumers from large stores respectively). Exploratory factor analysis grouped the 39 variables into 14 factors. Further, regression analysis revealed that six of the factors (Social desirability, staff friendliness, shopping economy, shopping ambience, family shopping and deal proneness) were major predictors of consumer satisfaction as they were found to be significant at 5% level. The significance of factors such as social desirability and staff friendliness imply that many consumers prefer those typical features of small stores, which in turn results in the likely coexistence of small retail formats in spite of the entry and proliferation of large retail stores from different countries. We posit three theoretical propositions to stimulate further research in this area.

Introduction

Shopping orientation is defined as shopping or shopper's style, encompassing interests, opinions, attitudes, shopping preferences, activities and behaviours prior, during and after the shopping process (Stone, 1954; Lumpkin, 1985; Hawkins *et al.*, 1989; Darden and Dorsch, 1990; Shim and Kotsiopoulos, 1992). In this context, researchers have found a link between shopping orientation and consumer patronage (Moye and Kincaid, 2003), providing additional insights into retail consumer behavioural patterns. Studies indicate that orientations of consumers and their preferences do influence the store choice (Sinha and Uniyal, 2004; Sharma *et al.*, 2010; Davis, 2013). Dawson *et al.* (1990) showed the influence of different shopping orientations on store choice and preferences. Hallsworth (1991) showed that patrons of different stores differ significantly in their shopping motives.

Large retail stores such as supermarkets and malls are expected to provide unique shopping experiences to customers. Such shopping experiences could lead to satisfaction and store loyalty. Terblanche and Boshoff (2006) suggest that a satisfactory in-store shopping experience enhances cumulative or 'overall' consumer satisfaction, which in turn enhances both

attitudinal loyalty and behavioural loyalty (actual sales). Successful retailers try to create and sustain high levels of consumer loyalty. Consumer loyalty is the tangible and measurable outcome of attempts to sustain meaningful and profitable relationships with consumers. Some authors regard consumer loyalty as the behavioural and attitudinal link between the creation of consumer satisfaction and repeat sales, market share and profitability (Rust and Zahorik, 1993; Oliver, 1996). However, consumer loyalty is best seen as a propensity, and not something that can be attained exclusively for an indefinite length of time (Uncles and Laurent, 1997). Different types of consumers could be loyal to different types of retail formats. Baltas *et al.* (2010) demonstrate that multiple store patronage is affected by variables such as customer income, satisfaction and expenditure that are suggestive of heterogeneous cost-benefit tradeoffs. Customers also consider the time involved in travelling and demonstrate varying behaviour. They have shown that customers' predisposition to consumer loyalty differ intrinsically.

Customers' shopping orientations and expectations from different types of stores together constitute their shopping attitude. This, in turn shapes their preference for a particular format. The choice of a store also depends on the type of purchase or the amount of purchase (How much to be bought and what to

be bought). Hence, it is possible to propose that customer satisfaction derived from subjective fulfilment of expectations and orientations will determine continued store choice. The patronage by the customers will ultimately determine the success or otherwise of the retail format. Research to date indicates that, customers expect value for money in terms of product quality, nutritional value and service quality in an emerging market (Singh, 2013). Consumer expectations may differ across different types of retail stores for different types of customers. In this context, this study seeks to articulate the factors affecting consumer satisfaction in small as well as large retail stores in India, the second fastest growing economy.

Prior research illustrates the motivating factors for shopping and found reasons other than the need for products and services (Tauber, 1972; Babin *et al.*, 1994; Babin and Darden, 1996; Arnold and Reynolds, 2003, 2009; Haans and Gijbrecchts, 2011; Cai and Shannon, 2012). However, results are mixed and most studies have been conducted in developed country contexts. Therefore, research on the determinants of customer satisfaction in retail stores in the context of a strategically important emerging country such as India is warranted. In other words, the purpose of this research is to study the determinants of customer satisfaction in small and large retail stores in emerging markets with sample from India. We define the stores with a customer turnover of less than 200 per day or sales turnover of Indian Rupees 100 000 (US\$2000) as small retail stores while others are large stores. Small retail stores included in our sample are shops normally termed as grocery shops, provision shops, stationery shops and clothing shops. Large formats included are supermarkets, malls and hypermarkets.

Based on the above introduction, the article proceeds as follows. An overview of the topic in the form of introduction is provided first to underline its significance as an important research domain. A comprehensive and succinct literature review is given in literature review section. In scope of the study and theoretical background and methodology section, scope of the study and research methodology are elaborated respectively. Thereafter, results are discussed, the factors determining the customer satisfaction in shopping are identified including three theoretical propositions.

Literature review

In this section, we present the literature review by classifying the section under the sub-titles- Quality and Value, Store Loyalty, Shopping Satisfaction, Atmospherics and Determinants of Consumer satisfaction in emerging countries.

Quality and value

The relationship between product, service quality, consumer satisfaction and loyalty is well understood in literature. According to Freymann *et al.* (2010), there is a direct relationship between consumers' attitudes regarding a store's service quality and their intent to continue to choose that store for much of their ongoing shopping needs, given that the service remains the same or improves. Roslin and Melewar (2008) found that the presence of large retailers brings with it the question of dominance and implications of changing customer preferences.

It is not quality alone that counts at all times. Sometimes, customers judge the quality in relation to price (Paul and Rana, 2012). The perceptions 'Evaluation' and 'Image' of retail stores have proved to be important factors underlying consumers' experience of the quality of products or merchandize in those stores (Sirohi *et al.*, 1998). The question of price plays a dominant role regarding consumer satisfaction, since value is a result of the consumer's perception of the ratio of benefits gained for the price paid. (Anderson *et al.*, 1994; Hollowell, 1996; Anthanassopoulos, 2000; Cronin *et al.*, 2000). Hence store choice and patronage depends on merchandize quality, service quality and perceived store image.

Store loyalty

Bloemer and Ruyter (1998) investigated the determinants of loyalty patronage behaviour with reference to retail store image and proposed models and strategies for the success of retail stores. Other studies emphasize the individual character of certain perception dimensions, the importance of which may be different for different consumers due to their shopping orientations (Doyle, 1984; Birtwistle *et al.*, 1999). Consumers are likely to place different levels of importance to different attributes of stores. In his integrative theory of patronage preference and behaviour, Sheth (1983) considered this difference in the importance the people place on certain attributes. He theorizes that shopping orientations and shopping options are used as independent influence factors of preference building for shopping outlets. On the other hand, some studies imply that shopping orientations also exert a direct influence on the perceived image of a store. This indicates that a relationship between shopping orientations and perception of store attributes as well as the overall judgement of the store might be assumed (Lumpkin, 1988).

Molina *et al.*, (2009) investigated the effects of service on loyalty in retail stores in Spain by examining the relationship between waiting time, product quality, store atmosphere and loyalty and found that consumer service through those dimensions influences loyalty. Orel and Kara (2014) also found that service quality positively influences loyalty through the customer satisfaction path. Das (2014) revealed that both retail brand personality and self-congruity constructs have positive impacts on store loyalty and gender significantly moderates these impacts and examine the three constructs namely, retail brand personality, self-congruity and store loyalty using them together in the same model.

Shopping satisfaction

Human beings are hedonic and hence they seek pleasure and avoid pain (Aaker and Lee, 2001). To this extent, every activity is satisfaction-directed and shopping is no exception. Shopping satisfaction could be considered as the sum total of subjective judgement of fulfilment resulting from shopping activity, and needless to say that store choice will be based on the shopping satisfaction that a customer is likely to achieve by shopping in a particular store. Machleit and Eroglue (2000) broadened our understanding of satisfaction within the shopping context. They provided a descriptive account of emotions consumers feel across a variety of shopping environments and they empirically

compared the three emotion measures most frequently used in marketing to determine which measure best captures the various emotions shoppers experience. The results indicated that the broad range of emotions felt in the shopping context varied considerably across different retail environments. Research has also shown that an increase in perceived crowding in a retail-store (created from either human or spatial density) can decrease the level of satisfaction that shoppers have with the store (Machleit *et al.*, 2000). The emotions and shopping value reactions, in turn, mediate the effect of spatial crowding on shopping satisfaction (Eroglu *et al.*, 2005). Singh and Prashar (2014) identified ambience, convenience, marketing focus, safety and security and physical infrastructure as factors vital in defining shopping experience, at the malls in Mumbai in India. Chebat *et al.* (2014) found that shopping pals affect the relation between the shopper and the mall in as much as the shopping pal generates arousal.

Atmospherics

Turley and Milliman (2000) identified perceived retail crowding as an important element of retail store atmospherics. Mathwick *et al.* (2002) introduced cognitive continuum theory to examine the effect of consumer shopping tasks and retail information display properties on consumer perceptions of experiential value. They proposed that the nature of a consumer's shopping task has direct influence on consumer perceptions of efficiency, economic value and shopping enjoyment. Similarly, Davis (2013) explored Chinese consumers' shopping experiences and revealed key retail factors that affect local consumers' shopping experiences, such as atmospherics, store design, social environment, customer services and merchandize elements and found that Chinese consumers have become more westernized, and the shopping experience has become important for them.

Puccinelli *et al.*, (2009) suggested that – goals, schema, information processing, memory, involvement, attitudes, affective processing, atmospherics and consumer attributions and choices – play critical roles during various stages of the consumer decision process. Trivedi (2011) concluded that retailers would benefit from understanding the spatial, demographic and attitudinal effects that play into consumption behaviour, and such effects can be better understood when studying choice at the category and regional level. Drye (2014) called for a two-stage approach that helps brands and retailers to target products and promotions more accurately in small retail stores, in particular, convenience stores in the United Kingdom. His two stage approach includes (i) understanding local context of stores and (ii) understanding people those frequent each type of store. Thus, there are many store related factors that lead to customer patronage.

Haans and Gijsbrechts (2011) found that deeper discounts or quantity-based promotions do not systematically generate larger or smaller absolute sales bumps in large stores, whereas for in-store displays and features, they obtained a clear positive (be it less than proportional) link between store size and absolute category sales lift. Bai *et al.* (2008) analyzed Chinese consumer behaviour across different retail (food) stores. Their study indicates that the new hypermarkets are substitutes for supermarkets, but they do not compete extensively with small (grocery) stores. The objectives of our study are similar to the goals of

their study, but the context of our study is different. Other dissimilarities between these two studies are (i) We discuss theoretical and managerial underpinnings based on our findings while they focus more on empirical analysis (ii). We cover different types of retail stores while they focus on the food stores.

Negrea and Metter (1995) found that foreign entrants in Canada's retail trade are providing powerful competition for the local market. The growing number of academic studies on customer satisfaction and the mixed findings they report complicate efforts among managers and academics to identify the antecedents to, and outcomes of, businesses having more-vs. less-satisfied customers. These mixed findings and the growing emphasis by managers on having satisfied customers point to the value of empirically synthesizing the evidence on customer satisfaction to assess current knowledge (Szymanski and Henard, 2001). The ascendancy of the shopping mall as a significant shopping, social interaction and/or entertainment destination has had a major impact on retail strategies and the retail landscape in numerous countries, especially the US. Shopping malls are not nearly as well established in developing and newly industrialized countries, however. Hence, Ahmed *et al.* (2007) assessed international consumer behaviour in regards to shopping malls in a non-Western country, specifically, Malaysia. They found that Malaysians were motivated to visit malls primarily by the interior design of the mall; products that interested them; opportunities for socializing with friends; and convenient one-stop shopping. Further analysis showed that younger respondents have more favourable dispositions or shopping orientations towards malls than somewhat older respondents.

Purchase context and individual traits can lead consumers to prefer a particular type of store (Boyd and Bahn, 2009; Demoulin and Zidda, 2009). Personal values are important determinants of consumer behaviour. Cai and Shannon (2012), by adopting a value-attitude-behaviour (VAB) model, examined what and how personal values influence consumers' mall shopping behaviour in two non-Western countries, namely China and Thailand. The results confirm the existence of the causal flow of VAB. Chinese participants were guided by self-transcendence and self-enhancement values, whereas participants in Thailand were guided by openness to change values. Shopping intention is found to mediate the attitude-behaviour link in the Chinese sample and improves the predictive power of values towards behaviour. Although a relatively weaker mediating effect is found in the Thai sample, shopping intention does not lead to stronger predictive power of values. Karande and Merchant (2012) proposed a model in which the consumer's time orientation (past, present and future) influences planning orientation (impulsiveness and prudence), which in turn affects the consumer's recreational shopper identity, and specific shopping behaviours, such as time and dollars spent on clothing. The findings of the structural equation modelling indicate that present time orientation influences impulsiveness and prudence, whereas past and future orientation only influences prudence.

Determinants of consumer satisfaction in emerging markets

There are recent attempts to investigate the determinants of consumer behaviour and satisfaction at retail malls in fastest

growing emerging markets such as China and India (Li *et al.*, 2004; Dholakia and Talukdar, 2004; Subrahmanyam and Gomez, 2008; Warden *et al.*, 2012; Singh and Prashar, 2014). Khare (2012) found that demographics such as education, age and gender and cultural factors influence consumers' preference to shop at small retail stores in countries such as India. Western retail managers struggle to understand local retail values in countries such as China (Warden *et al.*, 2012).

Based on the literature review, we argue that many of the earlier attempts to identify what keeps retailer shoppers satisfied and loyal to a store have made a limited contribution to our understanding of the determinants of consumer satisfaction. In other words, it is not only service quality that will drive consumer satisfaction and loyalty. It is not only merchandise value that will drive loyalty – it is a combination of various factors that influence each other and combine into a whole that will determine the loyalty of a retail shopper. Consumer loyalty is preceded by a multitude of experiences and perceptions not adequately captured by many of the earlier attempts to understand it. The failure to acknowledge the multidimensional nature of the shopping experience has detracted from our understanding of consumers' experiences. We feel that by focusing on one element in isolation, most of the researchers have either easily overstated or underestimated the importance of one component of in-store experience to the detriment of others. Besides, there are no studies that have created notable impact till now in terms of citations. Therefore, we seek to fill this gap.

[Correction added on 29 July 2016: One of the Section Headings in this article was previously incomplete and is now corrected in this version]

Scope of the study and theoretical background

Populous countries such as India and China have large number of small retail outlets, compared with small number of large outlets in Western countries (Paul, 2010). India has the highest density of retail outlets among all countries in the world, and retail industry is the largest provider of employment in India, after agriculture. However, a successful entry into India implies that entry into a market with more than 1 billion people representing a number of cultures, religions, races and languages coupled with a predominately unorganized retail sector, needs strategic planning and a thorough understanding of the nuances of this complex market.

Indian retail industry has grown exponentially in the past decade. Liberalization in the sector has brought in foreign investment in most of the service sectors (Naik *et al.*, 2010; Paul and Trehan, 2011; Ubeja and Bedia, 2012). Earlier research on the Indian retail sector suggests that economic growth, rising income and consumption levels, and a large middle class segment have contributed towards the growth of organized retailing (e.g. Williams and Paul, 2014). The emergence of large malls, supermarkets and discount stores in the recent years is likely to affect the existence of small retailers.

One unique aspect of India's consumer market is that the line between retailers and manufacturers is much less distinct than in other markets. Of the 12 million retail outlets in India, more than 80% are run as small family businesses using household labour

(McIntosh and Valerio, 2006). In the above context, this article attempts to identify the factors which may influence the customers in selecting their store formats on the basis of shopping orientation, customer satisfaction, attitude and preferences in the light of Expectancy-value Theory of Attitude. Though Expectancy-value theory is used in many fields, the general idea is that there are expectations as well as values or beliefs that affect subsequent behaviour. Expectancies refer to how confident an individual is in his or her ability to succeed in a task whereas task values refer to how important, useful or enjoyable the individual perceives the task. Theoretical and empirical work suggests that expectancies and values interact to predict important outcomes such as engagement and continuing interest. Other factors, including demographic characteristics, stereotypes, prior experiences and perceptions of others' beliefs and behaviours affect achievement related outcomes indirectly through these expectancies and values (Fishbein, 1961, 1963; Fishbein and Raven, 1962; Fishbein and Ajzen, 1975).

Methodology

We find that although many studies to this date have identified some of these factors in isolation, a comprehensive study which considered all of them together and their impact on shopping satisfaction has not been conducted. This research addresses this gap and relates the significant influence of shopping orientation generated attitudes on shopping satisfaction as having implications for store choice and loyalty, viewed from the point of view of large and small retail formats. Therefore, we decided to specify research questions as follows.

- i. What are the factors determining shopping satisfaction of retail customers and thus making their decision on store choice, whether large or small?
- ii. Would the influx of large retail formats due to the blanket permission of in retail impact negatively on the small retail stores in India and
- iii. What are the key favourable factors which would leverage them to have competitive advantage for their co-existence?

The study was conducted in two phases: a qualitative, exploratory phase and a quantitative, structured phase. In the qualitative phase, unstructured depth interviews of 20 participants were conducted to identify the shopping attitudes and to understand the nature of shopping attitudes. The participants were asked two basic questions as to what they look for while shopping and how they shop. The respondents were encouraged to answer these two questions in as much detail as possible in narrative form. To encourage detailed responses, prompting questions and variations of the basic questions were asked. Of the 20 respondents, 10 each were chosen from small stores and supermarkets. The narratives were transcribed and content analyzed for obtaining shopping benefits and shopping preferences.

The benefits and preferences were then converted into items of self-reported scale in a questionnaire format in a 5-point Likert scale. We have taken into account the important determinants of consumer satisfaction in retail stores identified in previous research studies in different country contexts (Sinha and Uniyal, 2004; Molina *et al.*, 2009; Sharma *et al.*, 2010; Davis, 2013). A total of 50 items were thus developed and experts

were asked to judge the items in order to avoid duplicated items and items, which lacked clarity. At the end of this exercise, 39 items remained, which formed the final questionnaire for collecting data during the second phase.

In the second phase, a survey was conducted by administering the 39 item structured questionnaires to a convenience sample of 225 respondents at shopping points in the South West and mid-west regions in India. A total of 125 respondents were selected at neighbourhood convenience stores (small format) while 100 respondents were chosen at large supermarkets (large format). Fifty-five percent of the respondents were females and 45% of them were male. We have included different types of retail stores (grocery stores that primarily sells food, exclusive food stores, clothing, provision and stationery) including convenience stores and traditional shops as part of small stores.

Exploratory factor analysis was used for grouping the variables into homogenous subgroups representing dimensions of shopping attitude. Principal Component extraction method with varimax rotation was employed for factor analysis. Further, the computed factor scores were used as independent variables to predict shopping satisfaction. Significant variables, which predicted shopping satisfaction, were classified into groups, which are favourable to large formats, small formats and neutral factors (favourable to both). This classification was based on literature and has linkage with the predictive strength of the factor implications, which were drawn for different formats and resultant implication for foreign direct investment in retailing in India.

We formulate our main hypothesis as given below.

H1: There is no significant difference in the factors influencing customer satisfaction small and large retail formats.

Results

Exploratory factor analysis grouped 39 variables into 14 factors explaining 66.42% of the total variance. The factors were named by examining the nature of items loaded onto each factor. The factors are Shopping Experience, Shopping Value, Social Desirability, Group Shopping, Shopping Planning, Shopping Ambience, Shopping Convenience, Shopping Economy, Shopping Relationship, Shop Location, Family Shopping, Staff Friendliness, Assortment and Deal Proneness.

The result of the regression analysis indicates that 6 out of 14 factors are significant determinants (predictors) of customer satisfaction at 5% level. They are social desirability, shopping ambience, shopping economy, family shopping, staff friendliness and deal proneness. Two factors (shop location and shopping experience) are found to be statistically significant only at 10% level. We have drawn a figure to highlight the importance of those factors as determinants of shopping satisfaction and thereby consumer behaviour. This theoretical framework could stimulate further research in this area (See Fig. 1).

Discussion

Attitudes which are significant predictors of shopping satisfaction have been classified into those favourable to large formats, those favourable to small format and neutral attitudes which are favourable to both the type of formats. Large formats provide superior experience in terms of self- picking, choice,



Figure 1 Determinants of consumer satisfaction in retail stores (large and small).

ambience and arrangement. Shopping at larger formats is also a family outing for many people which has been found to have a stronger influence than other factors on shopping satisfaction among those favourable to larger formats. As regards the statistical significance, the factors favourable to small format were found to be more significant than those favourable to large format. The neutral factors were also significant, at 5%.

However, most customers were found to support smaller formats as a socially desirable format. This is mainly due to the employment potential of smaller formats with its ability to distribute income and wealth in an egalitarian fashion. Most customers shopping at smaller shops develop friendship with the shopkeeper and the friendliness is at higher level than larger formats. These two factors have higher influence on shopping satisfaction than location among factors favourable to smaller formats.

As shown in Fig. 1, two factors, (i) deal proneness and (ii) shopping economy, were found to have reasonably good predictive power with respect to shopping satisfaction at both large and small formats. Smaller formats are preferred by customers since travelling long distances to large retail outlets involve dis-economy. This feature could be leveraged by smaller formats for other items as well which may be combined with them. Most of the smaller formats also have lower overhead expenditure as they are mostly located in semi-urban and rural neighbourhoods. However, competitiveness in terms of price and cost also works in favour of larger formats due to economies of scale and better sourcing power. On the other hand, customers avail benefit by engaging in bulk purchases, which in turn results in spreading per trip cost on larger number and quantities of items.

From the above factor analysis and regression analysis, it could be hypothesized that there are specific factors favourable to large retail formats and small retail formats. Therefore, the null hypothesis that 'There is no significant difference between the factors influencing shopping orientation, customer satisfaction and store choice' is rejected. Thus, the alternative hypothesis that there is significant difference between the factors influencing shopping orientation, customer satisfaction and store choice is accepted.

Table 1 Regression results

| Factor | Beta | Significance |
|-----------------------|--------|--------------|
| Shopping Experience | 0.107 | 0.067* |
| Shopping Value | 0.042 | 0.475 |
| Social Desirability | 0.212 | 0.000** |
| Group Shopping | -0.068 | 0.242 |
| Shopping Planning | -0.050 | 0.396 |
| Shopping Ambience | 0.198 | 0.001** |
| Shopping Convenience | -0.035 | 0.550 |
| Shopping Economy | 0.116 | 0.049** |
| Shopping Relationship | 0.005 | 0.930 |
| Shop Location | 0.102 | 0.083* |
| Family Shopping | 0.131 | 0.026** |
| Staff Friendliness | 0.137 | 0.020** |
| Assortment | -0.041 | 0.487 |
| Deal Proneness | 0.148 | 0.012** |

*Significant at 10% level. **Significant at 5% level.

Conclusion

Based on our research study, it is worth noting that shopping experience, shopping ambience and family shopping are the three main factors determining the customer satisfaction in the large retail outlets/formats. On the other hand, staff friendliness, shop location and social desirability factors determine the shopping satisfaction at small retail outlets/formats. Deal proneness and shopping economy factors are found to be common in both the types of retail formats in our findings. Therefore, we conclude that the retailers, whether large or small, who meet the specific needs and demands of the retail shoppers and shopping environment, would be able to sustain a profitable venture over the long term. The efforts on the part of the big or small retailers to make the above factors favourable would give them a competitive advantage than the other retail formats.

The above factors also substantiate the Expectancy-Value Theory of Attitude propounded by Edwards (1954) and developed by Fishbein in 1970s. According to this theory, the attitudes held by a person and the likelihood that the perceived outcomes would occur, determine the decisions of individuals. Here, the retail shoppers develop cognitively certain attitudinal favour towards a retail format, either large or small, due to the presence of the factors as identified above. Thus, the decision as to the store choice is predictive of the given upheld attitudes of the customers as explained rightly in the Expectancy-Value Theory.

Loyalty resulting from customer satisfaction is essential for any business to survive, succeed and progress. Shopping being an important activity directed towards need satisfaction, has serious implications on the success of retail organizations. Sat-

Table 2 Favourableness to formats

| Large | Small | Neutral |
|------------------------|-----------------------|--------------------|
| 1 Shopping Experience* | Social Desirability** | Deal Proneness** |
| 2 Shopping Ambience* | Shop Location* | |
| 3 Family Shopping** | Staff Friendliness** | Shopping Economy** |

*Significant at 10% level. **Significant at 5% level.

isfaction resulting from any activity is likely to generate loyalty among shoppers, which is important for retail businesses. While there is equal number of factors favourable to large as well as small retail outlets, the weight tends to lean to smaller formats in terms of social desirability and friendly experience. Though neutral factors are equally favourable to both the formats, smaller formats have opportunities to leverage them. Coexistence of both the formats could be concluded with complementary effects. It is also worth noting that survival of small retail stores is likely in India as they serve different needs, and target different consumers to a great extent.

Based on the findings, we posit the following theoretical propositions;

Proposition 1: The more the attention paid on deal proneness and shopping economy related aspects by the retailers in general, the higher the likelihood of customer satisfaction and resultant profit for those retailers.

Proposition 2: The maximum care given to the factors such as shopping experience, ambience and family shopping by the large retailers, the higher the likelihood of expected return for them.

Proposition 3: The better the small retailers understand the importance of staff friendliness, shop location and social desirability factors, the higher the likelihood of their survival in the long run, in the wake of foreign direct investment in the retail sector.

Managerial and policy implications

Small retail outlets, being socially desirable for employment generation, self-employment and equitable distribution of income and wealth, require support of policy makers. Incentives and tax benefits as well as subsidies can go a long way in promoting these socially desirable objectives. At the same time, there are ways in which managers, most often owners, of smaller formats can take advantage of factors favourable to them such as location and friendly service, which are controllable. Additionally, promotions and economy can be used by smaller shopkeepers for their advantage. Our findings indicate that the small retail outlets would survive, despite competition from the large stores, in a developing country like India. This also corroborates with the results of Bai *et al.*, (2008) who report that it is difficult for large stores to replace small stores in China.

Directions for future research

Based on our findings, we suggest that researchers may segment and profile customers having different orientations and, therefore, preferring different formats. Future research could also measure store format choice directly with shopping orientation without inferring it from shopping satisfaction. Mediated models with shopping satisfaction as a mediator between shopping orientation and store choice could help in advancing the theory further. Macro-economic studies which could predict trends in the survival of store formats based on economic, social, cultural and demographic trends could be integrated into the micro-level understanding of the consumer behaviour.

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