Factors influencing the consumer's choice of retail store

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Problem statement

At the consumer level, household buyers consistently report that the two most dominant factors that impact upon their decision to purchase fresh produce in a retail store is the competitive price and quality. Quality however is a multi-faceted variable that considers not only the extrinsic quality attributes (freshness, colour, size and shape), but also the intrinsic quality attributes (taste, flavour, texture and mouth feel), the credence attributes (method of production, fair trade and sustainable production) and the service quality attributes that are associated with the shopping experience itself (customer advice, ambience, convenience, credit facilities, etc.).

There is ample evidence to demonstrate that as personal disposable income increases, the service quality dimensions become increasingly more important in the consumers decision to purchase. However, it is also abundantly clear that as the supermarkets seek to control costs by reducing the number of competing lines and product variants on the shelf, they have alienated a large segment of the market. A low price is not important to all household buyers and a growing segment of the market is demonstrating that it is not only prepared to pay more for the desired intrinsic and credence quality attributes, but also for the associated value-added services. This is becoming all the more apparent as the disconnect between the extrinsic and intrinsic quality attributes widens. More household buyers are finding to their dismay that the criteria they use in selecting fresh produce bears little resemblance to the desired experience attributes. As few household buyers return fresh produce that fails to meet their expectations, sales of fresh produce are generally declining.

Aims and objectives

This project sought to explain why independent fresh produce retailers in Perth, Western Australia have managed to retain, if not expand, their market share, in spite of increasing competition from the major retail chains. The paper explores differences in the intrinsic, extrinsic and service quality variables offered by the major retail formats: the major supermarket chains, independent supermarkets, greengrocers and other retail formats (including fresh markets).

Procedures

Random intercept surveys of household buyers in the Perth metropolitan area were undertaken at suburban shopping centres and independent IGA stores. Surveys were conducted over a period of two weeks in April 2008, across the week and at a range of different times to ensure that the sample selected was representative of the population. A number of demographic questions were asked of the respondents to enable a comparison to be made with the ABS census data.

At the commencement of the interview, two qualifying questions were asked: (1) Are you the person in your household who ordinarily makes the decision to buy fresh produce? This eliminated those respondents who could not truthfully answer the questions; and (2) Do you have 15 minutes available to complete this questionnaire? This eliminated those respondents who did not have the time and were more likely to fail to adequately complete the questionnaire.

The questionnaire explored such issues as

- the frequency of purchase
- the place of purchase
- what proportion of their purchases respondents made from this store and
- why respondents chose to purchase from this retail store

A total of 474 household buyers were interviewed.

Results

The majority of respondents in the Perth metropolitan area purchased fresh fruit and vegetables only one time per week (52%)(Table 1).

Table 1: Frequency of purchasing fresh fruit and vegetables

	N	%
Daily	13	2.7
2-3 times per week	168	35.5
One time per week	247	52.2
One time every two weeks	45	9.5
	473	100.0

The two major supermarket chains, Coles and Woolworths, accounted for some 44% of sales, with the independent supermarkets accounting for 26% of sales and green grocers accounting for 21% (Table 2).

Table 2: Place of purchase

	N	%
Coles/Woolworths	209	44.2
Independent supermarkets	122	25.8
Green grocers	100	21.1
Other markets	31	6.6
Canning Vale	9	1.9
Internet	2	0.4
	473	100.0

Irrespective of the place of purchase, most respondents purchased 80% of their fresh fruit and vegetables from their preferred retail store.

In choosing where to buy fresh fruit and vegetables, competitive price was the most frequently cited variable respondents considered in making their decision to purchase (Table 3). However, considering that good quality produce and freshness were the next most frequently cited variables, it is highly probable that for the majority of respondents, product quality was more influential than price.

Table 3: Variables respondents consider in choice of store

	Ranking					N	%
	1	2	3	4	5		
Competitive price	65	99	40	14	3	221	46.9
Good quality produce	65	70	30	10	1	176	37.3
Fresh	98	44	24	4	1	171	36.3
Convenience	88	28	14	6	1	137	29.1
Wide range of produce	18	28	28	5	1	80	17.0
Close proximity to home	38	15	8	5		66	14.0
Location	32	17	5	4		58	12.3
Wide range of other foods	7	10	9	4	2	32	6.8
Local produce	8	6	7	1	1	23	4.9
One-stop shop	5	5	5	3		18	3.8
Customer service	2	4	4	3	4	17	3.6
Parking	2	5	6	1	3	17	3.6
Cleanliness	2	4	2	3	5	16	3.4
Locally owned	6	5	3	1	1	16	3.4
Hours of opening	3	5		3	5	16	3.4
Friendly staff		4	2	6	2	14	3.0
Availability of produce	1	6	6	1		14	3.0
Only shop available	10	2		1		13	2.8
Value for money	2	2	5	1		10	2.1
Produce in-season		2	2	2	3	9	1.9
Easy access	4		3	1	1	9	1.9
Appearance	1	2	3	2	1	9	1.9
Loyalty/always shop here	1	3	4			8	1.7
Its not Coles/WW	3	1	1	1		6	1.3
Have organic produce	2		1	2		5	1.1
Credit card facilities	1	3				4	0.8
Quick checkout				2	2	4	0.8
Close to other shops		1	1		1	3	0.6
Ability to self select				1	1	2	0.4
Store layout		1	1			2	0.4
Loyalty programs		1	1			2	0.4
N = 471							

A third cluster of variables emerged which were related to convenience, close proximity to home and location. Convenience could also be extended to include the ease with which the shopper could procure a wide range of other food and to purchase everything that the respondent required on the one occasion (one-stop shop). The ease with which the respondent could park their car and the hours during which the store was open were additional considerations.

Respondents were then asked to rate the importance of a number of variables on a scale from 1 to 6 where 1 was “not at all important” and 6 was “very important”. Not unexpectedly, good quality produce, freshness, value for money and competitive price were found to be equally important in the respondents’ choice of retail store (Table 4). However, two additional variables: a wide range of produce and the cleanliness of the store were found to be of equal importance in the respondents’ choice.

Table 4: Importance of criteria respondents use in their choice of retail store

	Mean	SD
Good quality produce	5.68[a]	0.66
Fresh produce	5.64[a]	0.69
A wide range of fresh produce	5.48[a]	0.80
Clean	5.35[a]	0.92
Good value for money	5.30[a]	0.94
Competitive price	5.11[a]	1.00
All product is clearly priced	5.08[b]	1.06
I can self select	4.98[c]	1.19
Fast and efficient check-out	4.96[c]	1.02
Close to my home	4.95[c]	1.28
Easy to access	4.91[c]	1.14
Customer service	4.79[d]	1.20
Fresh produce is refrigerated	4.78[d]	1.29
Good access to product on the shelf	4.70[e]	1.16
A wide range of other food products	4.69[e]	1.35
Price specials or discounts	4.63[e]	1.31
Plentiful car parking	4.58[e]	1.41
Trolleys and baskets easily accessible	4.56[e]	1.29
One-stop shop – can purchase everything	4.51[f]	1.50
Origin of the product is clearly displayed	4.43[g]	1.38
Knowledgeable staff	4.39[h]	1.31
Good lighting	4.30[i]	1.25
Attractive presentation	4.24[i]	1.33
Favourable prior purchase	4.15[j]	1.39
Extended trading hours	3.97[k]	1.76
Attractive décor and surroundings	3.95[k]	1.34
Refund/return policy	3.81[l]	1.72
Clear signage	3.67[m]	1.49
Organic produce	3.31[n]	1.56
Product information available in-store	3.31[n]	1.46
In-store tastings	2.97[o]	1.53
Loyalty programs	2.83[o]	1.62
Advertising on radio/tv/newspapers	2.58[p]	1.46
Offer home delivery	2.14[q]	1.46

where those items with the same superscript are not significantly different at $p = 0.05$

Several variables which could be considered collectively as convenience were found to comprise the next most important group of variables: fast and efficient checkout, close to home and easy to access.

Respondents demonstrated a clear preference to self select the fresh fruit and vegetables that they purchased, rather than to purchase prepacked produce or to allow a sales assistant to select it for them. A wide range of variables which related to the actual shopping experience were found to be of moderate importance in the respondents choice of retail store: good access to product on the shelf, range of other food products, price specials or discounts, plentiful car parking and easily accessible trolleys and baskets.

Those elements which were considered to be of least importance in the consumers choice of retail store included the availability of product information in-store, in-store tastings, loyalty programs, advertising and the opportunity to have produce home delivered.

Principal component analysis (with varimax rotation and Kaiser normalization) revealed seven underlying constructs, which collectively explained 66% of the variance in the consumers choice of retail store (Table 5).

The most important of these factors was the product offer quality (Factor 3): product freshness, the quality and the range. The shopping experience (Factor 5)(access to the product on the shelf, the ability to self-select the produce and the availability of clean trolleys and baskets) and convenience (Factor 6)(ease of access, proximity to home and plentiful car parks) then comprised the second most important group of constructs. Price (Factor 4)(competitive price, good value and offer price discounts), ambience of the store (Factor 2)(presentation, décor, lighting and signage) and the level of customer service (Factor 7)(fast and efficient check-out and knowledgeable staff) comprised a third group of variables. The least influential construct in the respondents choice of retail store were the promotional variables (Factor 1).

The importance respondents placed on six of these constructs was found to differ, depending upon the store from which respondenst purchased the majority of fresh fruit and vegetables (Table 6). There was no significant difference in the shopping experience (Factor 5) between the four retail formats. This would suggest that the ability to access fresh produce on the shelf, to self-select the produce and the availability of trolleys and baskets was of equal importance to all respondents.

Sales promotion (Factor 1) was of more importance for those respondents who purchased fresh fruit and vegetables from both Coles and Woolworths and the independent supermarkets. As both greengrocers and other markets seldom engage in any advertising, such is not surprising. Furthermore, it is generally only the major supermarkets that offer shoppers loyalty programs such as frequent flyer points or discounts on fuel purchased from service stations.

For those shoppers purchasing from other markets, the ambience (Factor 2) was of significantly less importance than for those purchasing from greengrocers, the major supermarket chains and the independent supermarkets. Given that the other markets includes weekend markets, farmers direct markets and the wholesale market, which offers bulk sales to consumers on Saturday mornings, this comes as no surprise. For those respondents purchasing from the other markets, price was of more importance. Because the consumer is buying direct, many believe that the product quality is superior, although that is often debatable. However, in order to capture these benefits, shoppers must often travel some distance to reach the market and the level of service they receive from sales staff is often poor.

For those buying from the major supermarket chains, convenience and the shopping experience are the most important variables influencing their decision to purchase. Some shoppers, it seems, are prepared to forego a competitive price and product quality in order to complete the household shop with the minimum of fuss and inconvenience. What differentiates the independent supermarkets from the major supermarket chains is the added service, but otherwise, there is little to differentiate between them.

For the greengrocers, their unique selling proposition is derived primarily from the superior level of quality and service consumers receive. While price is important, some shoppers are willing to pay more to secure better quality product and will often go out of their way to purchase what they require.

Table 5: Principal component analysis

	Factor						
	1	2	3	4	5	6	7
Loyalty program	0.799						
Advertising	0.799						
Tastings	0.687						
Home delivery	0.684						
Refunds	0.587						
Presentation		0.780					
Décor		0.727					
Lighting		0.626					
Signage		0.613					
Fresh			0.874				
Good quality			0.868				
Wide range			0.713				
Competitive price				0.868			
Good value				0.839			
Price discounts				0.696			
Good access					0.761		
Self select					0.702		
Trolleys					0.678		
Easy access						0.878	
Close to home						0.849	
Car parking						0.603	
Service							0.801
Knowledge							0.751
Check-out							0.516
Eigenvalue	2.796	2.341	2.300	2.259	2.101	2.099	1.862
Percent variance	12.40	9.75	9.58	9.41	8.75	8.75	7.76
Cumulative variance	12.4	22.15	31.73	41.14	49.89	58.64	66.40
Cronbach's alpha	0.802	0.742	0.805	0.660	0.719	0.714	0.709
Factor mean	2.98	4.45	5.10	4.61	5.02	4.97	4.32

Table 6: Importance of factors by preferred place of purchase

	Mean			
	Supermarket	Independent supermarket	Green grocer	Other markets
Sales promotion	3.25^{a}	3.14^{a}	2.40^{b}	2.63^{b}
Ambience	4.55^{a}	4.50^{a}	4.44^{a}	3.79^{b}
Product offer	4.86^{c}	5.03^{bc}	5.62^{a}	5.35^{ab}
Price	4.54^{ab}	4.47^{b}	4.82^{ab}	4.94^{a}
Shopping experience	5.06^{a}	5.09^{a}	5.07^{a}	4.83^{a}
Convenience	5.14^{a}	4.96^{ab}	4.80^{ab}	4.63^{b}
Staff service	4.03^{b}	4.56^{a}	4.75^{a}	4.01^{b}

where those items with the same superscript are not significantly different at $p = 0.05$

Conclusions

Despite the increasing dominance of the supermarkets in Perth, Western Australia, small independent green grocers have managed to not only retain but indeed to increase their market share by focusing on superior product quality and customer service. Given that product quality is the most important variable influencing the consumers' choice of retail store, continuing to emphasize product quality and range must remain as the key point of difference. While some shoppers are willing to pay higher prices for superior product quality, prices must remain competitive with those offered by the supermarkets. As there is some doubt as to how far consumers are prepared to travel to purchase superior quality fresh fruit and vegetables, the more successful greengrocers will be those who co-locate in shopping precincts with the major retailers. This will not only provide consumers with the ability to readily compare prices, but also to overcome many of the institutional problems associated with providing car parking, easy access and possibly even the use of the shopping trolleys provided by the major retailers.

Acknowledgements

In the collection of the data for this paper, I acknowledge the support from my Agribusiness Marketing Research class (2008). This project was funded, in part, by a grant from the Perth Metropolitan Market Authority and the WA Chamber of Fresh Fruit and Vegetable Industries.