Comprehensive Analysis of Exclusive Brand Store Customer in Indian Market

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Abstract

Segmentation classifies customers into groups which enables the retailers identify their target segment and provide the desired value. This paper is an attempt to group the customers and generate a profile of the revenue generating customer by identifying significant differences across lifestyle, demographic variables and information search. For this study, a scale for measuring the attitude, interest and opinion (AIO) for profiling the consumers of a single brand store is, specifically developed and tested for reliability. Implications for retailers are drawn and future research directions are indicated.

Significant differences were found between different groups on their attitude, interest and opinion dimensions. The purposive and the purposive patrons were far more appearance conscious than the browsers. There was substantial difference in the product and quality expectations between browser and the purposive customers. The purposive and purposive patrons wanted to remain slim only for the sake of appearance and looks.

So far, little work has been done towards segmenting the Indian consumer in the context of retailing which is available in the public domain. The results of this study have direct managerial implications. It would be helpful in planning and formulating the retailing mix. A detailed profile of their revenue generating customers would be useful for the conversion of footfall to sales by customizing its offerings.

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**Introduction**

The face of Indian retailing has witnessed a rapid transformation over the last decade. It was rated the fifth most attractive emerging retail market and ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney\(^2\). This is evident from the fact that shopping mall activity which was earlier only a part of the big cities has started percolating down to smaller cities and towns. There is brisk development of retail space in tier-II cities and towns of India barring the Far East region with the development plans being projected at 150 new shopping malls by 2008\(^3\). This has resulted in the Indian consumer being exposed to a variety of retail formats leading to change in consumer buying behavior. The entertainment and curiosity value of the new formats is fast diminishing for the consumer who is no longer satisfied with the blanket proposition offered by them. In order to cater to the increasing complexity in the market place the Indian retailer will need to know his customer and design a unique value proposition for his segment. Segmentation is useful because it goes beyond total scores or averages and helps in identifying and grouping the differences such that they are actionable. (Plummer Joseph T, 1974)

**Motivation and objectives**

Identification of customers and their buying behavior patterns have been the focus of a number of retail store studies. The results of these studies have been useful to the marketing managers in providing solutions to various marketing problems (Applebaum William, 1951). Crask Melvin and Reynolds Fred (1978) carried out an in-depth profile of the department store shopper to identify the frequent shopper and compared him to a non shopper using data about consumers activity, interest, opinion as well as demographic characteristics. Literature review has shown that there is a relationship between customer characteristics and store choice (Kopp Robert, Eng Robert; Tigert Douglas 1989, Aaker and Jones 1971, Erdem Orhan, Oumlil Ben A., and Tuncalp Secil 1999, Dodge and Summers 1969, Leszczyc Peter, Sinha Ashsish,Timmermans Harry 2000 , Dash Joseph, Schiffman Leon , Berenson Conrad 1976 ). If the retailer has to allocate his resources

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\(^2\) (http://www.ibef.org/industry/retail.aspx)

\(^3\) (http://www.ibef.org/industry/retail.aspx)
efficiently it is imperative for him to classify his customer into meaningful segments. In case of India, little work has been done towards segmenting the Indian consumer in the context of retailing which is available in the public domain. In a study the Indian Shoppers were classified into six segments based on behavioral aspects (Sinha and Uniyal 2005). The store choice behaviour based on buyer characteristics using different store types for different variables has been explained by Sinha, Banerjee and Uniyal (2002).

A study of the existing literature suggests that little attention has been given to the arena of segmenting the exclusive brand store customer using demographic and psychographic variables. With the mall boom in India, it is imperative for the retailer who wants to succeed to understand his customer and design his offer to deliver the desired value to his customers. This study is specifically a comprehensive analysis of the customer characteristics of an exclusive brand store format. The main purpose of the study is to identify the purposive versus browsers and patrons versus non patron customers of the store and to examine how they differ based on their psychographic and demographic characteristics. This study though exploratory in nature will provide meaningful insight about the customer characteristics of an exclusive store brand for a specific purchase instance which will help the retailer in decision making. Both demographic and psychographic characteristics when used for segmentation can be useful for design of promotional strategy and media planning. (Bearden William O, Teel Jesse E, Durand Richard M, 1978).

The objective of this research is (a) to provide insight about the profile of the consumers of exclusive brand store, based on their demographic and psychographic characteristics (b) to find out differences if any between the ‘Browser’ and ‘Purposive’ customers and (c) to examine the differences that emerge and draw implications for the retailer.

For the purpose of this study ‘Browser’ and ‘Purposive’ customers will be identified through self reported behaviour at the store for that particular visit. The respondent was asked to indicate the reason for coming to the store on that particular day which would be used in classifying them into the ‘Browser’ and ‘Purposive’ category. Patronage data would also be collected to categorize them into patrons and non-patrons.
Literature Review

Market Segmentation involves viewing a heterogeneous market as a smaller homogeneous market in response to different preferences attributable to the desires of the consumers for more precise satisfaction for their varying wants. (Smith 1956). Goods are no longer produced and sold without a significant consideration of customer needs combined with the recognition that these needs are heterogeneous. Howard and Sheth (1969) buyer behaviour model has clearly indicated that there is a relationship between shoppers’ socioeconomic characteristics and buying behaviour.

Historically, there have been two approaches to market segmentation—“people oriented” and “product oriented” (Plummer Joseph T, 1974). Both these approaches use the consumer inputs to segment the market. The first approach uses consumer characteristics like age, gender, and lifestyle as a basis for segmentation while the second approach uses the consumer inputs such as product usage, product benefits, and brand perceptions to segment markets. A framework for considering the various bases and methods available for conducting segmentation studies has been discussed by Michel Wedel, and Wagner Kamakura, (2000). Tolley (1975) proposes a system using generalizations to identify, define and explain different kinds of users. A plethora of variables like customer demographics, product usage, sociological and psychological variables have been used to segment the market. Socioeconomic and demographic variables have been successfully used to segment the market (Cunningham Isabella C.M, Cunningham William H, 1973). Indian Shoppers were classified into six segments based on observation of shopping behaviour as a method for generating consumer segments (Sinha and Uniyal 2005). Wells William D (1975) has critically reviewed the use of psychographic profiles, their validity and reliability. Psychographic methods have been used to obtain better understanding of consumer behavior in at least three ways, namely- Grouping of consumers, changing consumer behavior and providing new consumer typology. Life-style refers to how people live, how they spend their money, and how they allocate their time. This variable provides additional meaning to standard demographic classification as it provides more descriptive information about the consumer (Wells William D, and Tigert Douglas J, 1971). Type of retail establishment has been used as a basis for segmenting the market instead of using consumer demographics or other profiling variables as demonstrated in the research by Dash Joseph, Schiffman Leon, Berenson Conrad (1976).
Understanding buying behavior patterns per se is not enough without understanding the composition and origin of the customer (Applebaum William 1951). One such study compared frequent department store customers based on the activity, interest and opinion items, media questions and several demographic variables to get an in-depth profile (Crask Melvin and Reynolds Fred, 1978). Kopp Robert, Eng Robert; Tigert Douglas (1989) have carried out market segmentation analysis of female apparel shoppers in the Chicago Fashion market and competitive structure to provide managerial recommendations for the retailers. The effect of shopper characteristics on consumer store choice behavior is well researched. The lifestyle, demographic and media usage characteristics of different retail outlets can be valuable for understanding store choice (Bearden William O, Teel Jesse E, Durand Richard M, 1978). Singson Ricardo L (1975) has used multidimensional scaling to find a relationship between consumers store choice behavior and shopper’s socio-economic characteristics. Baltas George and Papastathopoulou (2003) have examined relationship between consumer profile and brand and store choice behavior in the Greek grocery market. While Leszczyc Peter, Sinha Ashish, Timmermans Harry (2000) have developed and tested a model of store choice dynamics to measure the effect of consumer characteristics on grocery store choice and switching behavior. The results of another study which focused on supermarkets and select store attributes indicated that lifestyle and shopping orientations differ among patronage attribute preference groups and this segmentation can be used for planning retail strategy (Darden William R., and Ashton Dub 1974-75). In case of retailing segmentation based on consumer characteristics has been used to differentiate loyal versus non-loyal customers of a store. The results of a study undertaken by Reynolds Fred D, Darden William R, Martin Warren S (1974-75) to probe the viability of psychographic measures suggested that lifestyle characteristics are useful basis for describing store loyal consumers. Samli Coskun A (1975) tested the applicability of the segmentation index in relation to store loyalty. This index applies to all types of retail stores and helps in classifying loyal and non-loyal consumers. Bellenger Danny N, Steinberg Earle, Stanton Wilbur W (1976) have empirically tested the relationship between the consumers self image, his store image and his loyalty to that store. Lifestyle characteristics have been used to identify shopper’s communication needs which would be useful in designing suitable promotional strategies (Moschis C George P, 1976). Kinley Tammy L, Conrad Craig A, Brown Gene (2000) examined the relationship
between several segmentation variables and personal and promotional cues used in information gathering step of the purchase decision process.

Methodology

The aim of the study was to understand both the demographic as well as psychographic characteristics of the consumer. The AIO scales are well researched and developed in the western countries. The statements used in these scales are too culture specific and hence may not measure the variable they represent in the Indian context. Hence it was decided for this study to develop a scale specifically for profiling the consumers of the exclusive brand store. The study was conducted in two phases.

**Phase I**
The first phase involved development of a scale for profiling the customers based on psychographic variables. Use of pre-established scales limits the findings to the dimensions which the researcher conceived to be important preventing the discovery of the unexpected (Wells William D, and Tigert Douglas J, 1971). Inputs for these statements were derived after in-depth discussions with retailer, examination of statements used in prior researches, intuition, conversation with friends and internal brainstorming (Ziff Ruth, 1971; Wells William D, and Tigert Douglas J, 1971). Hitherto, five dimensions were identified and 75 statements about activities, interest and opinions were generated. Each dimension had statements capturing the emotive, cognitive and behavioral attitudes of the customer towards the dimension. In order to reconfirm that the items within a dimension are representative three independent judges were asked to classify the statements into groups. The result indicated that the items were representative of the dimension. These statements were tested on a seven point agree/disagree scale, for ambiguity and flow amongst 30 research associates of a management institute. Subsequently, 160 respondents outside a mall were requested to give their responses to these statements. Out of 160 responses received, 144 valid responses were tested for reliability using Cronbach’s Alpha as it is the most widely used internal consistency reliability coefficient (Bearden, William O., Netemeyer, Richard G, 1999). The Cronbach’s Alpha coefficient was calculated for the five dimensions independently. The results are depicted in table -1 Four dimensions which had Cronbach’s Alpha ≥ 0.7 were considered for further testing. Ideally more dimensions and more number of statements within each dimension would provide more insight about the construct being studied. But
considering the likely respondent fatigue, disinterest and non-co-operation due to the length of the questionnaire (Churchill and Peter 1984; Cortina 1993) an exploratory factor analysis was run. This helped in reducing the statements from 75 to 38 statements. To reconfirm the reliability of the scale, the questionnaire comprising of 38 statements was administered to approximately 150 customers of the particular exclusive brand store in Bangalore. The instrument was tested for appropriate words, sequence of sentences and ease of response format. The flow and fatigue level during collection of responses were monitored. The responses were again tested for reliability using Cronbach’s Alpha $\geq 0.7$ as acceptable level. These statements were then included in the designing the structured questionnaire for the second phase of the study.

Table 1: Cronbach’s Coefficient Alpha for Psychographic dimensions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Sample Statement</th>
<th>Number of Items</th>
<th>Coefficient Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion Conscious</td>
<td>I have one or more outfits of the latest style.</td>
<td>16</td>
<td>.816</td>
</tr>
<tr>
<td>Shopping Styles</td>
<td>I look for the lowest possible prices whenever I go shopping</td>
<td>15</td>
<td>.794</td>
</tr>
<tr>
<td>Health and fitness</td>
<td>I make sure I exercise regularly</td>
<td>15</td>
<td>.828</td>
</tr>
<tr>
<td>Conscious</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlook</td>
<td>I think women make as good managers as men do</td>
<td>15</td>
<td>.781</td>
</tr>
<tr>
<td>Environment Conscious</td>
<td>Plastic bags should be banned</td>
<td>14</td>
<td>.552</td>
</tr>
</tbody>
</table>

Phase II

Data was collected from 400 customers using a structured questionnaire from three single brand sport outlets in the city of Bangalore located in the south of India. Bangalore was among the first cities in India where a variety of retail formats were introduced and consequently had a comparatively mature customer base compared to other cities. This was important to ensure that our study findings were not ‘short-term’ retail evolution stage specific (Woodruffe, Eccles and Elliott, 2002). The availability of the data and the co-operation of the store owners was an important reason for the selection of the city and store format. Every fifth customer was intercepted in the store, before they exited the store. It was ensured that no sales promotion offer was available at the time of data collection.
collection. The sample consisted of customers who had visited the store and shopped as well as those who had visited the store but not shopped.

Information about this specific visit to the store, the reason for this visit, and patronage information was sought. Life style information using statements derived from stage I of this study and demographic details of the customer like age, gender, occupation, education, marital status and income were captured. 380 valid responses were received and analyzed.

Findings:
73.9 percent of the customers who visited the store were males. Three-fourths males belonged to the age group of 21-30 (Table 2). This clearly indicated that there was an under representation of women customers and people in the age group of above 40 years. Majority of the customers coming to the store were students (33%) and young executives working in the private sector belonging to affluent households with income above 4.5 lakhs.

The customers were grouped into, “purposive” (The respondent who had come to the store on that day with the intention to buy for self/family member/friend), “browser” (The respondent who had come to the store on that day without the intention to buy), “purposive patrons” (Customers who had revisited the store after a year with the intention to buy). Out of the total sample 68.5% of the customers coming to the store were purposive while the rest indicated the reason for visit to be either to browse and/or window shop. Majority of the customers (74.6%) were found to be patrons and were revisiting the store within a year. 75% of the patrons had come back with intention to buy and these were classified as purposive patrons. The non patrons were asked to specify their intention to revisit and it was found that 33% indicated that they would definitely revisit while the same percent were unsure of revisit.
Table 2 Sample of demographic characteristics of the groups

<table>
<thead>
<tr>
<th>Groups Demographics</th>
<th>Purposive (%)</th>
<th>Browser (%)</th>
<th>Purposive Patron (%)</th>
<th>Total Sample (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72.2</td>
<td>74.7</td>
<td>75%</td>
<td>73.9</td>
</tr>
<tr>
<td>Young Adults</td>
<td>81</td>
<td>75.8</td>
<td>87.5</td>
<td>82.3</td>
</tr>
<tr>
<td>4 SEC A1</td>
<td>49.4</td>
<td>42.5</td>
<td>50.2</td>
<td>46.9</td>
</tr>
<tr>
<td>SEC A2</td>
<td>10.4</td>
<td>12.6</td>
<td>9.6</td>
<td>11.8</td>
</tr>
<tr>
<td>Affluent</td>
<td>36.3</td>
<td>31.00</td>
<td>35.1</td>
<td>33.4</td>
</tr>
</tbody>
</table>

These groups were compared on questions relating to sources of information used and trusted upon by them for selecting the outlet. The findings revealed that half the customers (48.4%) gathered information about such type of outlets from word of mouth while 36.2% used print media. Out of the five sources of information 54.9 % of the customers said that information received through word of mouth was most trusted by them. Various chi-square tests were performed to see if this preference for information source and the trust in the source of information differed amongst different groups of customers. Findings indicated that there was no significant difference across the purposive, browsers, patrons and non-patrons on this variable. No significant correlation was found between sources of information used and any of the demographic variables studied. The reason for visit to the store also showed no significant correlation with any demographic variable.

The groups were further compared based on the questions relating to their attitude, interest and opinion. The differences were examined for significance using chi-square and by comparing means using t-test. Purposive, browser and purposive patrons showed significant differences across number of statements on fashion, image consciousness, health, fitness, entertainment and shopping orientation. The purposive patrons were more fashion conscious than health and fitness conscious. The browsers were lower on fashion but higher on health and fitness consciousness than the patrons, purposive and purposive patrons (Figure I).

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4 Indian marketers use socioeconomic classification (SEC) which uses a combination of education and occupation of the chief wage earner to classify the buyers in the urban areas.(Kotler, Keller, Koshy , Jha 2006, Marketing Management 12e, A South Asian Perspective)
The purposive patrons were looking for quality at all cost and were highly fashion and image conscious (Figure II).

Except for the purposive who preferred sophisticated social gathering the other three groups enjoyed and looked for more chilled out form of entertainment (Figure III). There was no significant difference in the outlook and attitude towards risk taking between the groups (Figure IV). All groups had a fairly modern outlook and were medium risk takers.
Profile of the customers of all the three groups can be seen from Table 3 below.
Table 3 Profile of Customer Groups

<table>
<thead>
<tr>
<th>Purposive</th>
<th>Browser</th>
<th>Purposive Patron</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority Young adults</td>
<td>Majority young adults</td>
<td>Majority teenagers</td>
</tr>
<tr>
<td>Private Service and Students</td>
<td>Students</td>
<td>Students</td>
</tr>
<tr>
<td>Affluent households</td>
<td>Affluent households</td>
<td>Affluent households</td>
</tr>
<tr>
<td>Word of Mouth most trusted and</td>
<td>Word of Mouth most trusted and</td>
<td>Word of Mouth most trusted and</td>
</tr>
<tr>
<td>used source on information</td>
<td>used source of information</td>
<td>used source of information</td>
</tr>
<tr>
<td>Appearance is a statement of self worth</td>
<td>Not fashion and brand conscious</td>
<td>Appearance is a statement of self worth</td>
</tr>
<tr>
<td>Pretentious and image conscious</td>
<td>Not pretentious</td>
<td>Fashionable, trendy and image conscious</td>
</tr>
<tr>
<td>Fitness conscious but not health conscious</td>
<td>Health and fitness conscious</td>
<td>Fitness conscious but not health conscious</td>
</tr>
<tr>
<td>Sophisticated socialite</td>
<td>Not a regular socialite</td>
<td>Chilled out socializing</td>
</tr>
<tr>
<td>Quality conscious but smart shopper</td>
<td>Quality and cost conscious</td>
<td>Quality at all cost</td>
</tr>
<tr>
<td>Laid back and not very adventurous</td>
<td>Preferred outdoor and adventurous activities</td>
<td>Watching movies, meeting friends, not interested in serious sports</td>
</tr>
<tr>
<td>Self assured and confident</td>
<td>Confident</td>
<td>Self assured and confident</td>
</tr>
</tbody>
</table>

**Implications**

This study is one of the first Indian studies which deal with identifying the revenue generating customer. It provides a different perspective to understanding ones customers such that it would lead to more efficient use of resources. Unique profile revenue generating customer group was developed which would be useful input for the retailer in developing his retail mix. In-store and after sales experience would be critical as word of mouth was the most trusted source of information. Also use of print media should be preferred over others. Similarly the purposive patrons would be more responsive to sales promotions like discounts which could be indicative for planning sales promotion. The profile characteristics can be used for initiation of loyalty programs by the retailer for targeting and retaining the purposive patron.
Limitations and Future Scope

The study only pertains to one type of store format thus results cannot be generalized across other types of formats, as segmentation results appear to be domain (retail institution) specific (Bearden William, Teel Jesse JR. and Durand Richard 1978).

The study only seeks to understand ‘who’ comes to the store but does delve into ‘why’ they come. Such a study would be lead to better understanding of the customer which in turn would be of use for designing their offers.
References

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