

CHAPTER II

LITERATURE REVIEW

2.1 Convenience Store and Retail Industry

The retailing is being more service oriented. Hence, gives various types of experience to the customers as they visit them and specifically in case of grocery products. The experience is the perception which the customers have about the service quality offered by the retailers to them. Different retail formats add to different customers' experience. The understanding of these experiences is of critical issue for retail managers because it helps them to understand the patronage behaviour also (Mittal, S. and Gupta, A., 2012).

According to Fram and Axelrod (1990), while people are shopping, it is stressful for them. Whereas Aylott and Mitchell (1999) found that customers associated more stress with grocery shopping than with other forms of shopping. Carpenter and Moore (2006) acknowledged that the changing competitive landscape within the grocery industry makes it critical for retailers to better understand grocery customers. This includes an attempt to examine customer choice with respect to store format and the store attributes that drive that choice.

Therefore, retail industry has a strong ties with modern convenience store, where people can easily find grocery products even the public service. Modern convenience store is a small store which includes all sales

through stores of areas, generally less than 300 sq. meters, which specialize in a limited range of food and grocery products designed primarily for convenience-seeking consumers (Canadean, 2014). According to Anderson (1971, p. 179), convenience-oriented consumption: (1) satisfies some immediate want or need and (2) releases time or energy or both for alternative uses. Marketers are becoming more sensitive to saving consumers' time and effort by designing convenience offerings, rewarding time spent with marketing (i.e., providing genuine entertainment, significant consumer information, and/or valuable tools from which consumers can benefit), and giving time back to consumers (Smith 2004).

Despite the acknowledged importance of convenience, it has received relative attention in the retailing literature. Most of the studies focus on the convenience orientation of consumers (Anderson, 1972, 1971; Brown, 1989; Bucklin, 1963; Gross and Sheth, 1989; Kelley, 1958; Morganosky, 1986; Nickols and Fox, 1983; Reilly, 1982; Yale and Venkatesh, 1986). These studies view convenience as anything that helps the consumer to reduce its time and effort during their shopping process, but are mostly focused on the product market.

On one hand, the lives of consumers have become more complex with less time for shopping (Bellizzi and Hite, 1986). Additionally, more women are working outside their homes, which means less time to go shopping but more income (Bellante and Foster, 1984; Strober and Weingberg, 1980). Also, more people are living by themselves in smaller families and even

alone (Yale and Venkatesh, 1986). All these conditions have led consumers to look for new ways to simplify their lives in a modern and stressful environment.

Buying time refers to purchasing certain types of products or services which can then be substituted for time (Berry, 1979). Time can be bought and sold in the marketplace in the form of convenience products (e.g., frozen dinners, disposable cleaning products, and ready-to-eat cereals), convenience services (e.g., child care, meal delivery, household cleaning services, and lawn care), and convenience durables (e.g., dishwashers, refrigerators, freezers, microwaves, stoves, washers, and dryers). One of the primary motivations behind purchasing convenience products, services, and durables is to save time. No true time savings exist in that time saved in the past (unlike money saved in the past) cannot be accessed for use in the future (Wilson and Holman 1984).

Regarding the effect of price on store choice, although some research has found a positive relationship between monetary price and perceptions of product quality (Dodds et al., 1991). This may be explained because consumer's responses to low prices may vary depending on the product category and retail format. Furthermore, consumer's perception of product and service quality is also found to be positively related to the store patronage (Baker et al., 2002; Darley and Lim, 1993; Sirohi and McLaughlin, 1998; Zeithaml and Berry, 1996).

Consumers perceptions of convenience is found to have a positive effect on their satisfaction with the service provided (Berry et al., 2002). In a retailing context, although there is no one clear definition of a convenience store, for the purpose of this paper we will define it as a small, centrally located store, featuring ease of access, late-night hours, and a limited line of merchandise, and that charges above-average prices compared to large supermarkets that generate large volume sales. Only a limited number of academic papers have specifically investigated the c-store industry (Lassk, 2000; Rapp and Islam, 2006; Sparks, 2000; Sutton and Rafaeli, 1988; Welsh et al., 2003; Worthington, 1989). This research suggests series of attributes that are salient for providing customer satisfaction with c-stores, such as customer service, cleanliness of the store, feelings of personal safety, appearance of the store and employees, and product assortment.

Access convenience concerns the speed and ease with which consumers can reach a retailer. It considers attributes such as accessible location, parking availability, store hours, proximity to other stores, and telephone and internet access. The speed and ease that consumers can make contact with retailers powerfully influence their retail choices. Empirical evidence shows that easy accessibility has a high correlation with the choice of a shopping centre (Bellenger et al., 1977). In addition to a convenient location, other convenience incentives provided by retailers, such as longer operating hours or ample parking, can draw patrons to a store (Hansen and Deutscher, 1977).

A convenient location is one which minimizes consumer time and effort associated with traveling to the store (Jones, Mothersbaugh, and Beatty 2003). In searching for a convenient location, retailers should look for a location that is easy to get to, near to most consumers, and located near other frequently visited stores (Seiders, Berry, and Gresham 2000). Access convenience provides place utility--the benefit and value of having the product available at a place where consumers want or need it. By selecting a convenient location, retailers are ensuring that the consumer can get to the store (and the product) in a quick and easy manner. One aspect of access convenience which is often challenging is finding a parking space after arriving at the store's location.

Search convenience is the speed and ease with which consumers identify and select products they wish to buy. This dimension considers helping consumers find the right products through focused merchandising, intelligent store design and layout, knowledgeable sales persons, customer interactive systems, and visual merchandising practices, especially product displays, packaging, and signage. One study found that when shopping at convenience stores, customers want courteous and helpful clerks, but not too friendly so that they don't engage in extended conversations (Sutton and Rafaeli, 1988). Other literature suggests that consumer's evaluations of the store atmosphere also affects their perceptions of value and their store patronage intentions (Grewal et al., 2003).

Possession convenience is the speed and ease with which consumers can obtain desired products. It results from a retailer's strong in-stock position, timely production or timely delivery. One stop shopping offers consumers possession convenience by bringing together a vast variety of goods and services in one store. (Bianchi, C., 2009) The literature supports this and several studies have found that merchandise assortment is positively related to retail store choice (Arnold et al., 1983; Koelemeijer and Oppewal, 1999; Louviere and Gaeth, 1987), and is found in some cases even more important than price for store choice (Stassen et al., 1999). Also included within the scope of search convenience are effective interactive customer systems, product displays, and helpful salespeople. Allowing consumers to see and easily find the merchandise they desire is a sure way to speed up and simplify the shopping experience.

Transaction convenience refers to the speed and ease with which consumers can effect or amend transactions. Once the consumers selects a store, and selects the products they want to purchase, they still must participate in a transaction to complete the purchase. Transaction convenience concerns how quickly and easy it is to do the business with a firm, and considers attributes such as different payment methods, quick service, well trained employees, and well-designed service systems. Time savings elements for consumers such as fast checkouts are also found to influence their retail choice (Lambert, 1979).

In addition, consumers also enjoy talking to salespeople, and seek a social experience outside their home, thus this may drive some shoppers to stores in which they find friendly salespeople (Tauber, 1972). In fact a one study found that there is a positive correlation between consumer's perceived warmth of the service clerk and perceived quality and loyalty to the store (Lemmink and Mattsson, 1998). Schmitt (2003) contends that consumers want to be sold on more than just attributes; they want to be entertained, stimulated, emotionally affected and creatively challenged. In order to appeal to the emotions of the consumer, the experience must be conveyed. Grewal, Dhruv, Julie , Michael and Glenn. (2003), Understanding and enhancing the customer experience is important, most marketing executives in consumer packaged goods, manufacturing and retailing fields consider it important and thus an area for academic research.

2.2 Adolescent's Perception on Modern Convenience Store

Modern convenience stores are increasingly numerous, led to increase the culture of consumptive especially among the adolescents. For them, shopping at the modern convenience store has its own prestige value compared to buying in a conventional store. The presence of modern convenience store is pretty heavy competition for small shops in several areas. The diversity of types of goods and its freshness makes a lot of adolescent prefer to shop at the modern convenience stores. It is not

impossible, if more modern convenience stores are existing, the conventional one will be out of business.

On the one hand, culture of consumptive among adolescent has a positive impact, due to the increased level of consumption, which will improve the economic growth for Indonesia as well. Given that adolescents are unable to drive independently, they may be restricted to areas in their home and school neighborhood(s) to which they can walk or bike. Therefore, youths may be particularly captive to environmental opportunities around their home and school (Heet. al 2012).

According to Seok and Sauls 2008: female and male buyers show significant differences in their purchase attitudes (trust in purchase, awareness of the fashion brands, awareness of prices, tendency to buying from home, awareness of time well-being, tendency toward planned purchase). Also, it was determined that purchase biases among age groups are different. Although, trust in purchase had the highest score among men and women as well as among all age groups. It was revealed that female respondents paid more attention to well-being in shopping and price than men do.

Gender plays a major role in consumer behavior, since men and women have different expectations, demands, needs and life styles and these differences affect their shopping behavior. Gender has different aspects and it is not just a variable in market dividing. There are a lot of differences in attitudinal and behavioral aspects of women and men and they lead to different behaviors in buying goods and services. (Bakashi, 2012).

2.3 Customer Loyalty

The positive relationship that modern convenience store can build with their customer will affect the customer loyalty. The customer will do the repetition to come over to that modern convenience store. From a company's perspective, one goal of introducing loyalty programs in times of severe competition is to increase or at least maintain customer loyalty for important (e.g., profitable) customers. Loyalty programs function as switching barriers that have been shown to influence customer loyalty positively (Evanschitzky and Wunderlich 2006; Jones et al. 2000; Patterson and Smith 2003). 1992). Therefore, some researchers assume that company-loyal customers will develop positive intentions; however, high levels of company loyalty might not necessarily lead to higher purchase behavior (Evanschitzky et al. 2011).

Commitment is a key antecedent of company loyalty (Beatty and Kahle 1988; Evanschitzky et al. 2006). Kelley 1959). Commitment has also been extensively researched in the consumer behavior domain because of its proposed role in leading to important outcomes such as psychological attachment (Verhoef 2003), personal identification (Garbarino and Johnson 1999), and increased price tolerance (Delgado-Ballester and Munuera-Aleman 2001). The concept of commitment is defined by Moorman and colleagues (1992, p. 316) as “an enduring desire to maintain a valued relationship.” If customers desire to maintain a relationship, we would expect them to be company loyal.

Moreover, a professional business will concern on the quality of employee service to drives the customer loyalty. A good quality of employee service in a company would create satisfaction for its customers. Once customers are satisfied with products or services they received, customers will compare with services provided. If consumers feel completely satisfied, they will provide recommendations to others to buy in the same place. Therefore, companies should start thinking more about the importance of employee service through the quality service, because from now on it recognize that employee service and customer satisfaction is a vital aspect in the last the world of business to win the competition (Tjiptono, 2006).

Tjiptono (2006) said, the success in the competition will be met if the company can create and retain the customers. In order to achieve these objectives so the company requires having different efforts then later achieving the planned objectives. There are 6 reasons why a company needs to get loyalty customers (Kotler, Hayes and Bloom, 2002; in Kotler, 2004):

- a. There are more prospective customers, meaning that loyal customers will give great benefit to a company.
- b. The cost of acquiring new customers is much greater than the guard and retain existing customers.
- c. Customers who already believe in the institution in an affair will also believe with other matters.
- d. Operating costs will be efficient if the company has many loyal customers.

- e. Company can reduce psychological and social costs due to existing customers have had many positive experiences with company.
- f. Loyal customers will always defend the company even trying also to interesting and give advice to others to become customers.

Despite the importance of customer loyalty on the one hand, and gender differences on the other hand, little is known about the existence and nature of gender differences in customer loyalty. This is surprising because if male and female loyalties differ, men and women might require a different selling approach, have different levels of customer value, and may respond differently to loyalty programs and other actions aimed at enhancing customer loyalty.

Common stereotypes, perhaps based on widely publicized findings showing that males exhibit lower levels of sexual loyalty than females (e.g., Blumstein and Schwartz 1983; Hansen 1987), suggest that females are more loyal customers than males. Another finding was discovered by Ndubisi N. O 2006, who stated that female customers are significantly more loyal than their male counterpart when the bank is deemed very trustworthy. Only the trust-loyalty relationship is moderated by gender.

2.4 Research Hypotheses

According Sugiono (2002: 39) research hypothesis is the answer while to the formulation of research problems. Said to be temporary, because answers given should be based on the theory that are relevant, yet based on empirical facts obtained through data collection.

Based on the framework of theories about several variables and related theories above, the writer formulates some hypotheses as follows:

H1: The variables on the attributes of Indomaret will positively affect the customer's loyalty.

H2: Male and female will perceive the attributes from Indomaret differently.

H3: Male and female will purchasing the products from Indomaret differently.

H4: Male and female will using the services from Indomaret differently.

H5: Male and female will perceive the customer's loyalty of Indomaret differently.