



# Influence of retail store environmental cues on consumer patronage behavior across different retail store formats: An empirical analysis of US Hispanic consumers

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## ABSTRACT

This study examined the influence of Hispanic consumers' perceived importance of apparel retail store environmental cues and demographic characteristics (i.e., age and the number of years lived in the US) on their apparel store patronage behavior across various retail store formats. Three apparel retail store environmental cue dimensions were identified. Of the three dimensions, *Customer Service* appeared as a significant determinant in Hispanic consumers' decision to shop at department stores, specialty stores, and mass merchant stores. *Convenience* was significantly, but negatively, related to the use of specialty stores. *Physical Atmosphere* appeared as significant determinants of Hispanic consumers' use of Internet websites. The respondents' shopping frequency at department stores, Internet websites, and catalogues was significantly different based on the respondents' age and number of years lived in the US. This study offers insights for apparel retailers in building effective retail store environments to attract Hispanic consumers.

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## 1. Introduction

The US population has experienced remarkable growth over the past half-century and is becoming more racially and ethnically diverse with faster population growth among minorities than Caucasians (Shrestha, 2006). The US Census Bureau (2007) reported that the nation's minority population reached 100.7 million in 2006, increased from 98 million in 2005, and Hispanics accounted for almost half of the nation's minority population growth between 2005 and 2006. A more recent report by the US Census Bureau (2008) showed that the US Hispanic population reached 45.5 million on July 1, 2007, which accounts for 15.1% of the estimated total US population of 301.6 million. The Pew Hispanic Center report for US population projections revealed that Hispanics will make up 29% of the US population in 2050, making them the nation's largest and fastest-growing minority population group in the US (Pew Hispanic Center, 2006). Moreover, according to a report released by Hispanic Telligence<sup>®</sup>, along with such substantial population increases, Hispanic purchasing power surged to nearly \$700 billion in 2004, accounting for 8.5% of total US purchasing power that year, and is projected to reach as much as \$1 trillion by 2010 (Broide, 2004). Although the median income of Hispanic households is much less than that of non-Hispanic white households (US Census Bureau, 2007), Hispanic households spend a greater percentage of their disposable income on goods

and services than do non-Hispanics (HispanicTrends.com, March/April, 2005). More specifically, Hispanic households spent a greater portion of their income in 2004 on groceries, footwear, men's and children's apparel, gasoline and motor oil, and household textiles than other goods (HispanicTrends.com, January/February, 2005).

As the population and purchasing power of this group grows, understanding Hispanic consumers and appealing to them becomes an increasingly important opportunity for retailers to capitalize on the projected hundreds of billions of dollars of annual sales potential. However, despite the mounting evidence of Hispanics' growing impact and influence on the retail market, research has lagged behind in this area, and little has been done to investigate this group and their shopping behaviors. Furthermore, US Hispanics were found to exhibit strong ethnic identification and attitudinal differences than other ethnic groups in their shopping behaviors (Deshpande et al., 1986; Suro, 2006). Retailers should not assume that marketing products to the Hispanic population is no different than marketing to a general population (Valdez, 2000). Marketers should know the preferences of this consumer group compared to other ethnic groups and develop a differentiated marketing plan. In order to shed light on those preferences, the present study focuses on Hispanic consumers' shopping behaviors.

Over the past decades, the retail business environment has faced aggressive competition with rapid market entry of innovative store concepts and formats (Maronick and Stiff, 1985). A company's success in financial performance and market shares

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largely depended on the satisfied customers who are willing to purchase products or services repeatedly (Siu and Cheung, 2001; Raphel, 1999; Reichheld and Sasser, 1990; Srinivasan et al., 2002). In this vein, understanding consumers' store choices and their patronage behavior have been identified as keys to the success of a particular retail business and have become a premier objective for marketers (Osman, 1993). Therefore, increasing consumers' loyalty to the store has been a managerial challenge to marketers, and gaining in-depth understanding and empirical estimation of consumer loyalty behavior has been an important issue to researchers. In the face of the recent demographic movement of growing minority populations in the US, retailers are recognizing that various ethnic groups have different store choice and patronage behaviors (Cotton Incorporated's Lifestyle Monitor, 2005a). According to the report released by Cotton Incorporated's Lifestyle Monitor, almost 25% of Hispanics tend to shop at specialty stores and about 22% at chain stores, while Caucasians and African-Americans shop primarily at mass merchants (29% and 27%) and Asians at specialty stores (33%). Thus, retailers should abandon the one-look-fits-all strategy and try to differentiate stores that appeal to their target demographic group. More importantly, researchers found that Hispanic consumers tend to patronize the store more frequently once they develop a positive perception of it (Saegert et al., 1985).

Much research showed that certain attributes of retail store environment influence store choice and patronage behavior (Baker et al., 2002; Darden et al., 1983; Darley and Lim, 1993; Hu and Japer, 2006; Pan and Zinkhan, 2006; Roy and Tai, 2003; Sherman et al., 1997; Sirgy et al., 2000; Spansenberg et al., 1996; Thang and Tan, 2003; Thompson and Chen, 1998; Ward et al., 1992). Moreover, a growing body of academic research also supports the importance of store environment as a marketing tool to affect shoppers' approach behaviors (Fiore et al., 2000) as well as a dominant market differentiator (Reardon et al., 1995; Roy and Tai, 2003). Thus, effectively managing the retail store environment encountered by customers has been identified as a viable retail management tactic (Babin and Darden, 1995; Gilboa and Fafaali, 2003) and has gained a growing amount of attention from both industry and academia (Smith and Burns, 1996). Schlosser (1998) noted that, in the face of increased market competition, retailers' sole reliance on promotional techniques is inadequate; retailers' efforts must turn from offering just price promotions to creating a pleasant shopping experience. Researchers also asserted that store environments can influence consumers' willingness to purchase or entice them to stay in the store for a longer period of time (McDougall and Fry, 1974–75; Mano, 1999). In a survey conducted by *Drug Store News*, a majority of respondents, almost nine out of ten, revealed that a pleasant store atmosphere was either very or somewhat important when they chose a store in which to shop (Parks, 1998). According to *Chain Store Age*, retailers reported a positive connection between improving the retail store atmosphere and increasing sales ("Store atmospherics," 2005). As consumers often infer retail store images from such environmental cues (Bloemer and Ruyter, 1998), the store environment may represent the most imperative channel through which retailers can communicate with their consumers. In fact, retailers have been spending millions of dollars every year for the design, construction, and refurbishing of their stores in order to keep their stores up-to-date and project an image that appeals to their target markets (Roy and Tai, 2003).

To offer an attractive retail store environment – that is, to effectively manage the relationship between the customer and the retail store environment – retailers should know what their target consumers consider important when they chose a store in which to shop, and then design their stores to appeal to those targeted markets, thereby drawing customers into stores and developing

customer loyalty. Thus, the purpose of the present study is to examine the influence of Hispanic consumers' perceived importance of retail store environmental cues on store patronage behavior across various retail store formats. The study focuses on apparel retail stores because Hispanic consumers spend a significant share of their income on clothing items such as footwear and men's and children's apparel. According to *HispanicTrends.com* (January/February, 2005), Hispanic households spent, on average, \$2097 for purchasing apparel items in 2004, which accounts for 6% of their annual expenditure based on an annual income of \$35 k. This statistic is consistent with DRI McGraw-Hill's projection in that Hispanics are expected to drive significant growth in apparel and shoe purchases (Euro RSCG Magnet, 2002). Hispanic consumers' substantial expenditure on apparel items may transform the existing apparel market and redefine its future. However, the apparel industry is one of the business sectors that invest the least amount of money to Hispanics, according to *Association of Hispanic Advertising Agencies* (2004). This study investigating Hispanic consumers' patronage behaviors will provide practical information for apparel retailers to penetrate this lucrative consumer market and earn loyal customers.

## 2. Literature review

### 2.1. Hispanic-American consumers

Distinctiveness theory posits that a person's ethnicity is a distinctive and salient trait that differentiates behavior (Lee et al., 2002; Steenkamp et al., 1999; Torres and Briggs, 2005; Usunier, 2000). Because the members of an ethnic group have shared norms and beliefs, they conserve the common characteristics of the national culture from which they originate (Steenkamp et al., 1999; Usunier, 2000) and each ethnic group constitutes a unique community with their own cultural values (Lee et al., 2002). Existing evidence from research lends support to the notion that ethnicity is an important trait in differentiating consumer behavior, especially regarding apparel shopping. Researchers suggested that Hispanics in the United States show strong ethnic identification, which results in attitudinal and behavioral differences from other ethnic groups in their shopping behaviors (Deshpande et al., 1986; Suro, 2006). According to a report released by *Cotton Incorporated's Lifestyle Monitor* (2005c), Hispanic women were more particular about their appearance than women of other ethnicities. Well over half (57%) of Hispanic females, according to the same report, opted for style over comfort, choosing clothing that looked attractive on them rather than clothing that was comfortable. Only 45% of Caucasians and 46% of African-Americans held the same attitude. Furthermore, while only 50% of Caucasians and 56% of African-Americans bother to seek help while shopping for clothes, 60% of Hispanic female respondents tended to seek some friendly advice or a second opinion when shopping for apparel. Hispanic female consumers spend significantly more time shopping than their Caucasian and African-American counterparts (*Cotton Incorporated's Lifestyle Monitor*, 2005b). They spend an average of 135.1 min in stores shopping for apparel, while Caucasian and African-American female respondents recorded an average of 89.4 and 109.27 min, respectively. Statistics from the *Cotton Incorporated's Lifestyle Monitor* (2005a) also show further evidence that there are purchasing behavior differences among consumers of different ethnicities. In all, 62% of Asians report that they enjoy wearing denim, followed by Hispanics (56%), Caucasians (54%), and African-Americans (45%). In all, 24.6% of Hispanics tend to buy denim jeans primarily at specialty stores and 21.6% at chain

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