The importance of consumer characteristics and market structure variables in driving multiple store patronage

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ABSTRACT

The purpose of this study is to investigate multiple store patronage. Specifically, the aim is to relate the number of stores patronized to a set of consumer characteristics and market structure factors, according to a cost–benefit approach. Data from a sample of 1000 shoppers indicate that only few consumer characteristics impact on multi-store patronage pattern for grocery purchases (gender and shopping activity perception). Moreover, the number of stores operating in the market proved to be an important determinant of patronage set size. Implications for retailers are discussed with suggestions for future research.

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1. Introduction

In grocery retailing, which is a highly competitive market, store loyalty is a major challenge for retailers. One of the main behavioural components used in the literature to measure customer loyalty is the number of alternatives explored (patronage ratio) (Enis and Paul, 1970; Burford et al., 1971). Store patronage involves several interdependent decisions, including which and how many stores to use. While perfect loyal consumers shop exclusively at their favourite store, many consumers patronize a set of competing stores. Cross-shopping behaviour is becoming increasingly common due to the growing heterogeneity of demand and proliferation of retail formats (Bustos-Reyesa and González-Benito, 2008; Kau and Ehrenberg, 1984; Knox and Denison, 2000; Morganosky, 1997; Morganosky and Cude, 2000; Rhee and Bell, 2002; Rousey and Morganosky, 1996). Anyway, consumers who shop on a portfolio basis typically have a primary store that captures the relative majority of their purchases (Ailawadi and Keller, 2004; Flavián et al., 2001; González-Benito et al., 2005; Kau and Ehrenberg, 1984; Knox and Denison, 2000; Morganosky and Cude, 2000; Rhee and Bell, 2002; Stassen et al., 1999). It was demonstrated that primary store choice is a relatively stable decision since most customers are unlikely to switch main store affiliation (Rhee and Bell, 2002). On the other hand, Mägi (2003) outlined that the degree of loyalty to the primary store depends on the shopper's overall patronage pattern and, therefore, on the number of stores patronized. Moreover, the extent to which secondary stores are used varies across customers (Mägi, 2003; Popkowski Leszczyc and Timmermans, 1997; Thelen and Woodside, 1997; Urbany et al., 2000; Woodside and Trappey, 1996).

With that in mind, the purpose of this study is to investigate multiple store patronage in the grocery retailing sector. More precisely, the aim is to relate the number of stores patronized to a set of consumer characteristics and market structure factors. There have been limited previous attempts to investigate this specific issue in the literature. To our knowledge, the only attempt to empirically address the structure of multiple store patronage has been made by Baltas et al. (2010). They investigated the use of multiple stores by supermarket customers and demonstrated that the patronage set size is associated with some consumer variables. The present study extends the existing research by considering: (a) market structure factors – in addition to consumer characteristics – as they may influence multiple store shopping and thus prove to be important determinants of the patronage sets; (b) consumer mobility between stores of different store formats – in addition to consumer mobility between stores of the same format – as the intense and complex horizontal rivalry emphasizes the importance of evaluating both inter- and intra-format competition.

The proposed theoretical framework offers insights on the differences in customers' patronage behaviour for both scholars and practitioners. In particular, from a managerial standpoint, these insights can improve segmentation and targeting strategies aimed to exploit customers loyalty potential. Focusing marketing efforts on shoppers that are predisposed to being loyal and patronize fewer

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stores is a more effective means of enhancing customer loyalty and store performance (Berman and Evans, 2001).

2. Conceptual background

Cost–benefit analysis is considered as an appropriate framework to study store patronage. Multiple store patronage produces benefits (e.g., better deals, variety), but also entails costs (e.g., time, transportation). Concentration of purchases on a single or few stores simplifies the shopping activity and decreases search efforts (Flavián et al., 2001; Popkowski Leszczyc and Timmermans, 1997). Time is a relevant component of shopping costs, and its value is not the same among customers (Stigler, 1961). Therefore, differences in opportunity cost of time may explain the differences in multi-store shopping patterns.

In the conceptual framework of the present study, both the variables that increase benefits and/or decrease costs of multiple store patronage and the variables that decrease benefits and/or increase costs of multiple store patronage are considered. More precisely, consumer characteristics and market structure factors which may favour dispersion or concentration of store patronage are taken into account (Fig. 1).

The study investigates seven consumer characteristics (age, family size, gender, employment, primary store format preference, shopping activity perception, deal proneness) and two market structure factors (number of stores operating in the market and retailers variety).

The selected variables are consistent with the prior research and objective. The latter property is assured by using only variables that are not likely to be distorted when measured relaying on consumer self-reports. More precisely, shopping frequency and grocery expenditure are not taken into account, being biased by anchoring–adjusting and availability heuristics. Personal income too is excluded, being sensitive to social desirability bias.

A brief discussion of each variable is provided in the following section.

2.1. Consumer variables

Age is a key variable of shopping behaviour. With regard to store patronage, it may have a negative effect on the number of stores patronized. Physical impairment, cognitive decline, socio-emotional selectivity and change aversion associated with biological aging reduce the patronage set size (Lambert-Pandraud et al., 2005; Baltas et al., 2010). On the other hand, the elderly have more free time to spend in the shopping activity and, thus, to visit a variety of stores (East et al., 2000; Fox and Hoch, 2005; Cooil et al., 2007). The overall conclusion seems to be that these opposite effects related to age may offset. This point of view – i.e., age is an insignificant variable – is supported by the results of Kim and Lee (2010) with reference to the degree of loyalty to the main store (share of wallet). Therefore, we propose there should be no relationship between age and the patronage set size. More formally, the following hypothesis is stated:

H1. Age has no effect on the number of stores patronized.

Baltas et al. (2010) found that gender had no significant effect on patronage set size. This result differs from those inferred from prior research. Willingness to gather information and greater confidence in processing information result in men being more prone than women to making comparisons across a variety of retailers and having a more achievement-oriented shopping behaviour (Kempf et al., 1997; Maccoby and Jacklin, 1974; Noble et al., 2006; Otnes and McGrath, 2001). Other studies demonstrated that for women, shopping is a more pleasant activity, and they are more willing to spend their time shopping around. Moreover, females have traditionally been facing a lower order of time-related stress, thus reacting less negatively to waiting time disconfirmations at retail stores (Campbell, 1997; Grewal et al., 2003; Krishnan and Saxena, 1984). Therefore, the following hypothesis is stated:

H2. Gender has an impact on the number of stores patronized; specifically, females' patronage set size is wider than males'.
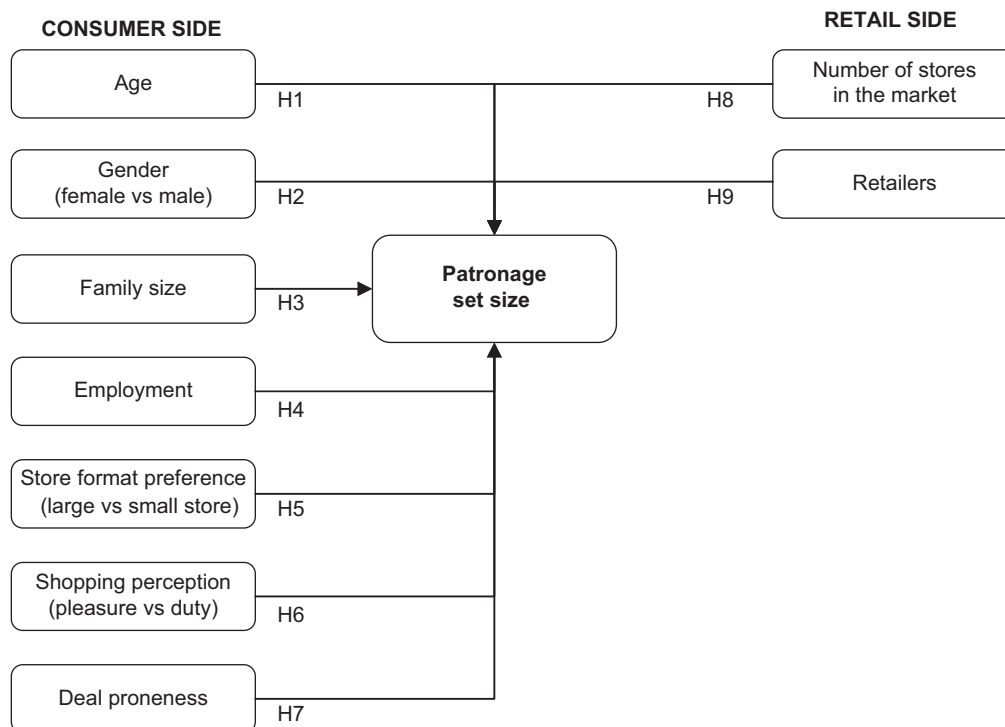

CONSUMER SIDE
- Age — H1
- Gender (female vs male) — H2
- Family size — H3
- Employment — H4
- Store format preference (large vs small store) — H5
- Shopping perception (pleasure vs duty) — H6
- Deal proneness — H7

Patronage set size

RETAIL SIDE
- Number of stores in the market — H8
- Retailers — H9

Fig. 1. Conceptual framework and hypotheses.