

## Difference between consumer preferences to choose between the traditional retailing and modern retailing

Shaheera Amin

Department of Business Administration  
University of Sahiwal, Sahiwal, Pakistan

Syeda Shawana Mahasan

Department of Management Sciences  
University of Lahore, Pakpattan Campus Pakistan

### Keywords

Traditional retailing, modern retailing, consumer preferences

### Abstract

*The aim of this study is to understand consumers' choice and shopping preferences regarding retail format (traditional vs modern markets). Further, this study is conducted to understand the changes that are occurring in the consumers' behaviour with respect to modern retailing and traditional retailing outlets. It is noted that due to change in demographics, and an increase in families' income, urbanization, awareness through electronic and internet media has influenced the consumer behaviour to choose from modern retail outlets rather than the neighbourhood stores. Therefore, to empirically testing the phenomenon of retail format choice, a quantitative study is conducted by using a questionnaire. Collected data is analysed by using SPSS. Results has supported that there are fewer factors that favour traditional retailing and fewer which support modern retailing. However, the results show that there are many challenges that exist in modern markets and traditional markets based on consumer preferences.*

*Corresponding author: Syeda Shawana Mahasan*

*Email addresses for the corresponding author: syeda.shawana@lbs.uol.edu.pk*

*First submission received: 18<sup>th</sup> July 2019*

*Revised submission received: 20<sup>th</sup> August 2019*

*Accepted: 23<sup>rd</sup> August 2019*

### 1. Introduction

This research aimed to identify those factors that influence consumer behaviour in making selection between the traditional and modern retailing in Pakistan. Many authors observed that consumers' "retail format choice is determined by age, education; dependent child, family size, and dimension of shopping preferences such as packaging of products, store environment and product price. Usually, consumers visit the modern retail store for several reasons i.e. variety, easy availability and cleanliness with an additional facility of entertainment for children and parking for cars and comfortable restaurants etc. However, unlike the upper age groups who prefer to visit compound Karana stores, the younger generation has more tendencies toward organized retail. Therefore, due to such increased competition by modern retail store many karana/traditional shops have increased size of their shops and also enhanced the merchandise in their store. Now the transformed karana/traditional shops are providing different facilities to attract the customer like credit, replacement and home delivery etc (Sinha and Banerjee, 2004).

Indeed, retailing is changing in Pakistan and has caused a shift from traditional retailing to modern self-service-based retailing (Raja, 2011). Many studies related customer loyalty, satisfaction and purchasing behaviour to the retail format choice. The Majority of such studies have done in the Asia particularly in countries like India and Malaysia. Overall, 69% of the studies were conducted in developing countries (i.e. India, Pakistan, Malaysia, and Indonesia) and 31% conducted in Europe and America. Out of all the studies three were focused on consumers in Pakistan (ICRIER, 2005).

Therefore, it is interesting to know what factors in Pakistan are influencing consumer choice for retail format. As in Pakistan both traditional retailing and modern retailing are working parallel. Yet it is

important to note that they are in direct competition in many ways. In the next section of literature review all the factors influencing the choice of retail format are be discussed in detail.

### 1.1 Research Objectives

The aim of this study is to compare the modern retailing and traditional retailing. In line with this, below are the key objectives of the study:

- To examine the current affairs of retailing
- To assess the importance of traditional retailing and modern retailing towards the customer perception
- To evaluate the differences of traditional and modern retailing towards the success of maintaining good relationship with the customers.

### 1.2 Research Questions

The problem that is addressed in the study is difference between consumer perception about traditional retailing and modern retailing. The following are the questions that will be answered in the study:

- What are the different factors that change retailing behavior?
- What are differences to settled consumer preference regarding modern retailing and traditional retailing?

## 2. Literature Review

The American Marketing Association (AMA, 2012) has defined retailing as “ *A set of business activities carried on to accomplishing the exchange of goods and services for the purpose of personal, family, or household use, whether performed in store or by some form of non-store selling*”. Similarly, Levy and Weitz (2007) defined retailing as a combination of those activities that increases value of the product and the services for the end user. Actually, retailing has both spectrum of sales of products and the sale of services (Dhotre, 2010; Levy & Weitz, 2007).

Nowadays, in developing countries two format traditional retail and modern retail exist parallel. In simple words, a traditional retail is a store recognized as a shop near to a residential area from where people buy their household needs and daily use products (Tiwari, 2009). However, the retail industry is growing massively since last decades that created a lot of competition. Therefore, the retail stores need to secure their competitive advantage to be successful. So, retailers offer different promotional activities i.e. after sales services, discounts to attract the customer (Popkowski & Leszczyc, 2000). On other hand side, a modern retail format is an outlet that is managed professionally and included both supermarkets and hypermarkets formats that offer a comprehensive experience of shopping under one roof (Raja, 2011). In other words, a retail can be termed as ‘modern’ if it has the features of accounting, standards and transparency, management information system, proper supply chains, quality and sourcing measures (ICRIER, 2005). In another words, it can be said that modern retailers can influence consumer behaviour and preferences of shopping (Seiders and Tigert, 2000). Therefore, traditional retail stores have to provide such facilities to the customers for satisfying and retain the customers. They may be needed to provide credit on goods, free home delivery, or a bargaining option to consumer. (Koul & Mishra, 2013).

Literature on retailing explained many reasons for customer changing behaviour with respect to retail format such as: convenient location, pricing, variety, comfort facilities and services, store environment, and ethical issues (Seiders and Tigert, 2000; Louviere and Garth, 1987; Eagle, 1984; Arnold, et al., 1983). Further, modern retail store is successful in achieving economies by modelling of ‘price and cost’ structures (Setala, 2000). So, they offer lower prices than traditional store and consumers enjoyed this benefit.

Similarly, Mitchell and Kiral, (1998) explained that location, travelling cost, and family size decide the consumer’s utility; for example, larger families are the ones who gain the benefit from modern retailers as they offer variety with price variation. However, this situation may not be experienced in the local traditional markets. In contract, a research on consumers’ preferences towards small retailers in Latin America (Andrea and Lopez, 2006) identified the reasons why consumers do not like/prefer to buy from supermarkets. Firstly, they think that they need to spend extra time and money for travelling to go to these stores. Secondly, consumers do not like the way the supermarket staff treats them. Finally,

consumers perceive that small retailers are less expensive than the larger retail stores (Mitchell and Kiral, 1998).

After the liberalization of retail sector, in 1998, the competition among modern retail stores has increased in Pakistan (Kjeel, 2003). Traditional retail format received the greatest impact of this competition. Many studies about developing countries by Reardon and Berdeque (2002), Reador et al. (2003), Trail (2006) and Reardon and Hopkins (2006) found a negative impact of modern retailing on traditional ones. The increasing number of luxurious and modern shopping centres in Pakistan causes anxiety and concerns among traditional merchants. Thus, traditional retail businessman needs to be aware of the changing needs of customers to make a good survival of them in this competitive environment (Utami, 2007). The new developments of markets have demanded retailers to change the traditional retail management structure into modern one (Utami, 2006).

In modern retailing, there is a use of modern technology to succeed over the unorganized retailers as explained in Table '1'.

**Table 1: Difference between Traditional retailing and Modern Retailing**

<b>Traditional Retail Paradigm</b>	<b>Modern Retail Paradigm</b>
i. "Less selecting Location	i. "Site selection is considered
ii. Does not account for potential buyers	ii. Potential buyers continue to be predicted and evaluated
iii. Types of merchandise are not directed	iii. Types of merchandise focused and tailored to the target market
iv. There is no brand selection	iv. Strict selection of brand merchandise
v. Less attention to the supplier	v. Conduct rigorous selection of suppliers
vi. Recording of sales is very simple Profit per product is evaluated service the debt	vi. Sales are recorded and studied
vii. Less attention to the efficiency	vii. Profit per product is evaluated to determine the retail mix strategy
viii. Cash flow (cash flow) is not planned	viii. Sales by cash/ credit card
ix. Finance mixed with the family finances	ix. Very concerned about the efficiency
x. Unplanned business development"	x. Cash flow (cash flow) is planned
	xi. Separate financial clear with the family finances
	xii. Business development planned"

**Source:** Dixit, S. (2011). Private Labels in India. An Analysis of Consumer Perception and Attitude

There are various reasons that have led to the shift from traditional to modern retailing. To build long-term customer loyalty: price, quality, retail layout, designs, promotions and customized personal service are very much needed (Algesheimer et al., 2005; Şahin et al., 2011). This study has an objective to study the factors of choice between modern retail and traditional retail. The next section discussed the factors that influence the customer preferences for buying from different retail format.

### 2.1 Product Variety

Baumol and Ide (1956) analysed the influenced of product variety in retailing and found that greater variety of a product makes a store more attractive to consumers. As a consumer can find any item in stores that they want to buy which increase the satisfaction. So, it can be said that the product variety influence the consumer choice to select the retail store.

### 2.2 Price

This factor is relating the consumer's choices about shopping outlet to product prices in terms of price fairness and affordability whether they purchase fresh food products or any other kind of products (McGoldrick, 2002).

### 2.3 Store Atmosphere

Now a day's people are concerned with the atmosphere where they are shopping, that is also known as the "store ambience". A store ambience is an environment that includes different types of communications, lights arrangements, music, etc., which influence customer's perceptions & emotions and ultimately purchasing behaviour. Further, an ambience can provide a pleasurable shopping experience that can lessen the bitterness of high prices for products in store. This makes shopping

comfortable for customers. The store atmosphere is an overall look that stimulates target market and invites them for purchase. Nowadays stores have become hotspots of entertainment for people. Therefore, consumer's expectation for modern retailing is accelerating day by day. Indeed, it is become important to understand the customer preferences regarding the retail store. Overall, a modern retailing has a potential to satisfy the customers and to deliver good customer's experience and improve the chances of turning a single sale into a long-term relationship (Baker, J., Parasuraman, A., Grewal, D., & Voss, G. B. 2002).

#### 2.4 Location/Site

Few researcher described that the distance travelled also affect the customer perceptions (Loudon and Della Bitta, 1993). The time consumed to reach to a particular location usually measured as both physical and psychological effort. However, the effect of proximity of store varies with product type that is needed to buy. It is a fact that for few products and services consumers are willing to go/travel far away (Koul & Mishra, 2013; Hawkins et al., 1998; Runyon and Stewart, 1987).

#### 2.5 Courtesy of Staff

Courtesy is a good behaviour that reflects the manners. Hutheson & Muthinho (1998) and McGoldrick, (2002) suggested that customers also refer the behaviour/courtesy of retail staff and the less price as the main variables in selecting a store.

#### 2.6 Framework

From literature review several variables were taken under considerations that actually match with the context of this study. In this study, the variables i.e. Product Variety, Price, Location/ Convenience, Store Atmosphere, Courtesy of Staffs, and Household Income Level are measured as factors that influence the retail format choice. The proposed model is shown in 'Figure 1'.

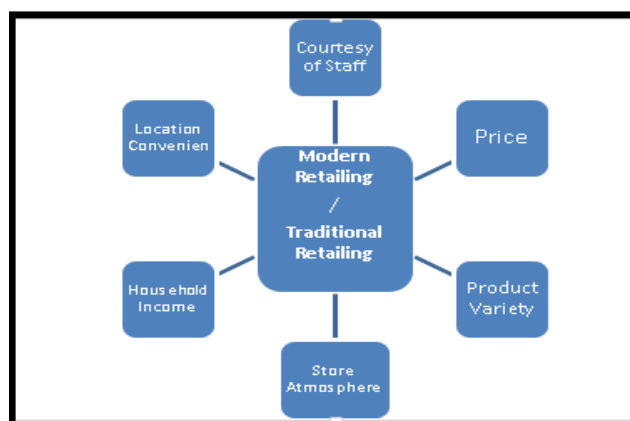


Figure 1: Proposed Model

#### 2.7 Hypothesis

After reviewing the literature, this study proposes the following set of hypotheses regarding the consumer's store preference for buying product.

**H1:** The importance of staff courtesy to the customers, leads them to choose a modern retailing outlet over the traditional retailing.

**H2:** The concerned for reasonable prices, made customers to choose traditional retailing outlet over a modern retailing.

**H3:** The more the customers prefer product variety, the more they choose a modern retail outlet over the traditional store.

**H4:** The importance of store atmosphere to customers, lead them to choose the modern retailing outlet over the traditional retailing.

**H5:** The store location convenience made customers to choose the traditional retailing outlet over modern format.

### 3. Methodology

As the nature of research is explanatory and time dimension is cross sectional, further research environment is field. So, this study is conducted under actual environmental condition. In this situation questionnaire is best source to collect the data. In questionnaire the respondents answered each variable on five-point Likert Scale with "Strongly Agree" dictating the highest level of satisfaction, "Strongly Disagree" as the highest level of dissatisfaction. Some demographic questions were enquired for profiling of respondents and better interpretation of responses. The questionnaire was pre-tested with a few respondents to ensure the quality of the questions.

Therefore, this study is conducted in diversely populated cities of Punjab like Sahiwal, Pakpattan and Multan while covering a large spectrum of respondents from various fields of life.

However, the sample is carefully chosen by using convenience sampling that it is a non-probability sampling. This technique helped to research to the most appropriate respondent for the research. So, the respondents showed interest to fill the questionnaire. All the respondents fill the questionnaire fairly and show good behaviour. All the respondents were well educated and experienced.

After data collection data has been entered into SPSS for empirically testing the results. Firstly, reliability was tested to make sure that items of the questionnaire are appropriate. The results are shown in 'table 2' where Cronbach Alpha of each variable is found more than 0.7 which are greater than the required Cronbach value of 0.7. So, the scales of all the variables are reliable.

**Table 2: Reliability Results**

Variable	Obtained values	Required values
Price	.713	.7
product variety	.717	.7
Store atmosphere	.720	.7
Location convenience	.792	.7
Courtesy of staff	.790	.7
Traditional retailing	.836	.7
Modern retailing	.897	.7

#### 3.1 Hypothesis Testing

To know either the hypothesis is working in the current scenario or not, regression and ANOVA test has been applied. Results are discussed below, firstly the analysis for modern retailing is done and then for traditional retailing.

**Table 3: Model Summary (Modern Retailing)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722 <sup>a</sup>	.522	.503	2.39462

a. Predictors: (Constant), location, product variety, courtesy of staff, price and store atmosphere.

'Table 3' showed that 52% change in choice of modern retail format is due to Product variety, price, location, courtesy of staff and store atmosphere. According to the purpose of research ANOVA is applied to analyse the differences among group means and their associated procedures in terms of traditional vs. moderns retailing. As, in table 4 the significant value reflected that the contributing factors are significant to understand the consumer choice to select the retail format.

**Table 4: ANOVA<sup>a</sup> (Modern Retailing)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	807.141	5	161.428	28.152	.000 <sup>b</sup>
Residual	739.712	129	5.734		
Total	1546.854	134			

a. Variable: modern retailing

b. Predictors: (Constant), location, product variety, courtesy of staff, price and store atmosphere.

**Table 5: Coefficients<sup>a</sup> (Modern Retailing)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.975	2.153		3.240	.002
Product variety	.086	.159	.034	.539	.590
Price	.790	.179	.316	4.427	.000
Courtesy of staff	.198	.144	.097	1.372	.172
Store atmosphere	.456	.170	.205	2.686	.008
Location	.557	.137	.309	4.056	.000

a. Variable: modern retail

Coefficient analysis explained the contribution of different variable towards main variable. Table 5 showed that there are variables that influence modern retailing to satisfy the customer. In table 5 significant values for all is 0.002,0.590, 0.000, 0.172,0.008, 0.000, and0.202;the t-test accepted criteria is +\_1.96 and the calculated values are0.539, 4.427,1.372,2.686 and 4.056 .So we accepted the hypothesis 1 and 3 on the basis of significant and beta value that explained that the courtesy of staff and product variety are major contributors for modern retailing.

After studying the modern retailing and the contributing factors, below the finding of traditional retailing and its contributing factors are discussed.

**Table 6: Model Summary (Traditional Retailing)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 <sup>a</sup>	.424	.402	3.16470

a. Predictors: (Constant), location, product variety, courtesy of staff, price and store atmosphere

Its means that 42% change in choice of traditional retail format due to, location, product variety, courtesy of staff, price and store atmosphere.

**Table 7: ANOVA<sup>a</sup> (Traditional Retailing)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	950.493	5	190.099	18.98	.000 <sup>b</sup>
Residual	1291.976	129	10.015		
Total	2242.469	134			

a. Variable: traditional retail

b. Predictors: (Constant), location, product variety, courtesy of staff, price and store atmosphere

The significant value indicated that predictors are important in the choice of retail format.

**Table 8: Coefficients' (Traditional Retailing)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.137	2.846		2.508	.013
Product variety	.561	.211	.181	2.661	.009
Price	.450	.236	.150	1.909	.058
Courtesy of staff	.056	.190	.023	.293	.770
Store atmosphere	.695	.224	.260	3.097	.002
Location	.673	.181	.310	3.710	.000

a. Variable: traditional retail

Coefficient analysis showed that there is the larger impact of price and location convince on the traditional retailing to satisfy the customer. In table 8, the calculated significant values are: 0.009, 0.058, 0.770, 0.002, and 0.000. The t-test calculation is 2.661, 1.909, 0.293, 3.097 and 3.710. So, the significant value, beta value and t-value indicated the 2<sup>nd</sup> and 5<sup>th</sup> hypothesis are accepted.

Overall, the hypothesis 4 is not working in both modern and traditional retailing format that may reflect that still consumer of Pakistan is not that conscious about the store atmosphere. Store atmosphere is not the preference of consumer of Pakistan.

#### 4. Conclusion

This research was conducted in context of Pakistan retail industry to identify the factors that influence the consumer behaviour in selection of retail store between traditional and modern retailing. Many similar studies have been conducted in the same context in different developing countries in Asia but not much data is available about consumer behaviour in Pakistan. Interestingly, the retail setting in Pakistan is changing rapidly and moving to a well-organized and developed at larger scale.

The research conducted the brief from previous literature to establish a base to understand the difference between consumer preferences to choose between the traditional and modern retailing. For hypotheses testing the data is collected from the local consumers. The research findings exposed that several factors i.e. location convenience, product variety, and prices, and courtesy of staff except store atmosphere have a significant impact on choice between traditional and modern store.

Another objective of the research is to find out the most favourable variables for choosing between modern and traditional retailing. So, the results explained that product variety and courtesy of staff are significant motivators for choice of modern retail store. Furthermore, location convenience and prices are significant predictors for choice of traditional store.

#### 5. Directions for future

This research provided the great insight for marketers/retailers, how to attract consumer if they are running the traditional retail store or if they have modern retail store. However, in future more research needed to do to explore more variables that create preferences in selection of retail store.

#### 6. Originality

The originality of this research is that it gives deeper insight to Pakistan changing retail setting. As research shows that consumers are switching from traditional mode to modern ways of doing shopping.

#### 7. Limitations

- This research targeted 3 cities of Punjab; other major cities can be considered for future research.
- For comprising traditional retailing and modern retailing another dimension can be explored.

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