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ABSTRACT

Food and grocery retailing market in Pakistan has gone to dynamic changes. New foreign food and grocery chains' coming in creating competition among all the large and small players active in the market. However, the larger share of the market is still in the hand of small traditional retail owners. The purpose of this study is to identify the important factors that affect consumer patronage behavior of urban customers towards modern and traditional food and grocery stores in the context of the Pakistan. Moreover, the study focuses to find which factors lead to the choice of which specific type of retail formats in food and grocery purchase. Based on literature review a conceptual model was proposed and six hypotheses were developed. The model investigates the effect of several independent variables on store format choice: product variety, courtesy of staff, reasonable price, store atmosphere, location convenience and household income.

A survey of 471 consumers' was carried out using a random sampling approach. Several techniques were used with the help of Statistical Package for Social Sciences (SPSS) to analyze the data, such as factor analysis, Pearson correlation, descriptive statistics and logistic regression analysis.

The result shows that product variety, courtesy of staff, reasonable price, store atmosphere, location convenience and household income have significant impact on food and grocery retail format choice. Moreover, results also indicated that product variety, courtesy of staff, store atmosphere and monthly income positively affects the preference for modern stores, while location convenience and reasonable price were found to lead to preference traditional stores.

Key words: Consumer Behavior, Retailing, Traditional Store, Modern Store, Logistic Regression, Product Variety, Price, Store Atmosphere, Location Convenience.

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Chapter 1

Introduction

The retail sector has seen substantial changes throughout the world. As economies begin to develop, so does their retailing sector. Food and grocery retailing has always had the largest share in the retail sector of any country. Developing countries have now more or less achieved the economies of scale, when it comes to this particular sector, and seem highly saturated. However, this also presents many opportunities in the developing world. Retailing sectors in the USA, Australia, Canada, almost all of Europe and several of the developed Asian countries enjoy a wide range of formats, as well as having both local and foreign stores operating. The overall food and grocery retail has shifted significantly from a small scale stand-alone shops to multi-dimension & multipurpose super stores (Sexton, 2010)

Pakistan is a young and fairly underdeveloped country representing great opportunities for economic progress and expansion. Consequently, the retail sector also represents a competitive business sector with a continually changing landscape. Better informed consumers have new and changed preferences, growing suburban areas, and changing urban settings are challenging food and grocery retailers to keep up with the latest consumer needs. Furthermore, new retailers and retailing formats have emerged which further challenge the existing brands and retail styles.

The food and grocery retailing sector in Pakistan has gone through dynamic changes over the past few years. The entry of new foreign retail chains like Marko or Metro has created massive competition among all the large and small players active in the market. One of the reasons for this may be the growth in the economic sector making people relatively richer and

willing to spend more. However, it seems that the larger share of the market is still held by the small traditional retail shops.

1.1 Overview

For better understanding the context, it is worth having an overview of the current retailing sector in Pakistan. Historically, it was largely inhabited by a small unorganized family owned 'mom n pop stores', termed as 'Kiriyana store'(Raja, 2011). According to the report by The Economist Intelligence Unit, the situation has not changed much and the sector is still "dominated by independent neighborhood shops". These traditional stores remain in demand and dominant as these are the easiest ways to generate self-employment, and they require relatively lower amounts of financing, labor and land to start and run operations. In most instances, the owners or the retailers who supervise these types of formats lack the retail experience and education (EIU, 2012). According to the figures provided by the world bank, there are over 2.4 million retail outlets across the country out of which 99 percent are traditional store outlets with one or two person operations (FIAS, 2005). In the entire retail sector only a few supermarkets exist, and those are restricted to the large and more developed cities of Pakistan, (i.e. Karachi, Lahore and Islamabad). According to the Economic Intelligence Unit (EIU, 2010), the Utility Store Corporation (USC), which is a government run discount store throughout Pakistan, is considered the largest supermarket chain by far. However, even USC's market shares and performance is insignificant in terms of the complete retail shopping experience. However, the entrance of global retailer such as the Dutch-based Makro in 2006, the German-based Matro in 2007 and the French-based Carrefour (known as Hyperstar in Pakistan); have all introduced a new concept to food and grocery shopping(Asad Aman, 2010).These modern stores offer self-service facilities, wider product variety and multi check out points and, more importantly, a complete shopping experience under one roof. On the other hand, traditional store formats located in convenient

locations, offer more personalized services. The entry of these organized food and grocery retailers into the unorganized retail industry of Pakistan influenced the customer purchase decision process regarding choices between modern and traditional store formats. Additionally, these modern food and grocery formats have given Pakistani customers a taste of the retail format of the developed world and hence created competition between the different retail formats, each aiming to attract more customers to visit their stores by different offerings and services.

1.2 Problem Statement

During the last few decades retailing research has focused on issues such as retail pricing, retail distribution systems, sales techniques, customer service, buying behavior etc. more specifically, buying behavior is not only restricted to choice of product attributes; but it also concerns consumer perceptions, the social environment influences, competing products in the marketplace, product marketing strategies and various other internal or external factors that influence consumer choices. In order to be successful, the retailers must be well aware of how to use and manipulate these in their favor.

When we narrow down our focus on food and grocery store format choice in general, and between traditional and modern stores in particular among Pakistani customers, several different factors are identified as highly influential on the consumer buying behavior. Furthermore the introductions of the new retail formats have opened doors to newer avenues both in terms of the art of selling and impacting consumer choices from the retailer's perspective. The increased competition among the retail players has also raised the possibility and variety of ways in which these old and new stores can inspire and motivate consumers. Changing consumer practices indicated the importance of recognizing and understanding the variables for decision making especially as the consumers are also becoming more informed

and alert. Accordingly, the current research is aimed at identifying the factors that influence consumer selection of preferred retail formats. Furthermore, it also identifies which factor is more significant for which type of retail format, depending on different consumer profiles.

Following from the discussion above, the specific research question this study will attempt to answer is:

➡ What factors influence the customer's choice of retail outlets for food and grocery shopping in Pakistan?

1.3 Objective of the Study and Research Focus

The main purpose of this study is to identify key factors, that affect consumer choice of a retail format in the food and grocery sector, as well as to find which factors lead to choices of specific types of retail format.

Traditional store format is defined as any retail outlet that is managed locally by the owner or the caretaker of the shop. Traditional store format includes, small neighborhood store, street vendors, mom & pop stores (Raja, 2011).

Modern store format is defined as any retail outlet that is professionally managed even if it is family run. These formats include, supermarkets, hypermarkets with complete shopping experience under one roof (Raja, 2011).

Specific Objectives

To answer the above main objective of the study, some specific objectives must be laid out:

- i. What are the most important factors that impact the choice of traditional store format?
- ii. What are the most important factors that impact the choice of modern store format?
- iii. Does retail format choice fit with certain customer profile?

1.4 significance of the Study

This research will give a broad frame work for local retailers as well as international chains of retailers towards making good and informed marketing strategies through the analysis of consumer profiles and buying behaviors. Furthermore, the results of this study can also be used as relevant guidelines for developing future business plans and making changes or improvements in the current activities of players in the Pakistani retail market. It gives an idea of the areas which need to be emphasized more for better development as well as positioning.

1.5 Structure of Study

The research is divided into six chapters.

1.5.1 Chapter 2

This chapter contains an overview of previous literature produced on consumer choices in the context of food and grocery retailing. These previous studies will help to formulate the research problem and the conceptual framework for the study.

1.5.2 Chapter 3

This chapter describes the research design, data collects procedures and analysis as well as the methods chosen for carrying out the research along with the explanation of why those procedures and methods were chosen.

1.5.3 Chapter 4

In this chapter the results from the collected data will be analyzed and the major findings shall also be presented with the help of descriptive statistics and the logistic regression model.

1.5.4 Chapter 5

This chapter aims at comparison of the new findings and the previous literature. It will focus on explanations for similar or different results and findings. Finally, the main findings of the

analysis shall be summarized and linked to the theories that were used to develop the research objectives.

1.5.5 Chapter 6

In this chapter the overall conclusions, contributions, limitations and implications of the study shall be highlighted and presented.

Chapter 2

Literature & Theoretical Review

In this chapter a literature review regarding customer loyalty, satisfaction and their patronage behavior towards retail formats shall be discussed. Furthermore, additional related concepts and definitions of consumer behavior and retailing will also be discussed.

2.1 Introduction

The nature of this research is focused on the 'Retailing Formats' that exist nowadays, and range from traditional smaller store units to the larger supercenters. However, it is seen in recent times that as part of the worldwide development trend the formats have greatly shifted towards larger supermarkets or one stop shops. For understanding retail formats and consumer choices the researcher searched university library databases such as Scopus, Ebsco and Business Source Premium for related studies. More specifically, the search was limited to publications made between 2000 and 2011, while focusing only on retail format choice in the food and grocery context.

The interest in food and grocery retail is connected to its relevance in developing markets. The reason is that in developing countries like Pakistan and India, the majority of household income is spent on the basic needs of life (i.e. food, clothes and shelter). In developing countries the entry of foreign modern food and grocery retail chains creates major competition among the existing stores. The new arrivals tend to be larger one stop shops which at times prove more convenient for the customers. This in return affects choices of retailer preferences. Accordingly, the researcher identified the 22 most relevant studies focusing on food and grocery retailers as a suitable theoretical background for this study's research problem. These studies are summarized later in this chapter.

2.2 Consumer Behavior

In the words of Schiffman, Hansen, & Kanuk, (2008) the term consumer behavior is described as the ‘behavior that consumer shows in buying, purchasing, using, evaluating and disposing of product and services which satisfy their expected needs (2008:3). Moreover, also stating that the consumer behavior is a complex phenomenon (2008:4). Research done in this field may guide marketers on how to attract customers. The study of consumer behavior is considered as one of the most interesting and complicated subjects. For the past two decades the most dominant aspect of consumer behavior studies has been information processing. Particularly the focus has been on attitudes and choices among the set of related substitutes (Lehmann, 1999). Consumer behavior is important for marketers, it allows marketers to know and predict the buying behavior of customers in a defined market, it is not only concerned with what consumer purchase, but also when, why, where and how often the consumer makes his or her purchases (Schiffman, Hansen, & Kanuk, 2008). Sandhusen (2000) and Schiffman et al., (2008) stated that consumer behavior is all about when, why, how and where people do and do not purchase products and services (L.Sandhusen, 2000; Schiffman et al., 2008).

2.3 Retailing

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*”.

According to Levy and Weitz (2007) retailing is a set of all business activities that increases value to the product and the services which are sold to the end user for their personal or family use. Retailing is not only concerned with sales of products in stores, but also involves the sale of services as well. Thus Retailing includes all activities involved in the sale of

goods and services directly to the end user for personal and non- commercial use in any form of formats. These formats are usually known as shops or stores. The various types of retail stores are: Departmental stores, Supermarkets, Hypermarkets, Discount stores, General stores, Warehouse stores, Variety store, Convenience stores and e-Retails (Dhotre, 2010; Levy & Weitz, 2007).

Traditionally retail stores were recognized as small shops nearby or in a residential vicinity where people bought products for their daily household needs (Tiwari, 2009). From the small stores to the hypermarkets, there has been considerable growth in the retailing industry. Nowadays every retail format tries to attract customers and satisfy their needs by providing a vast range of products and services (Peter T.L.Popkowski Leszczyca, 2000). The retailers also seek to make the buying decision process easier for consumers by offering several promotional activities, discounts, after sales services, etc. The main reason is that the retail industry has grown massively over the years creating a lot of competition and in order to be successful, the retail stores must secure their competitive advantage (Peter T.L.Popkowski Leszczyca, 2000).

According to Levy & Weit (2007) there are ten main types of retail formats, including:

2.3.1 Supermarket:

The Supermarket is a self-service food and grocery outlet with limited sales of non-food items, like health and beauty care products.

2.3.2 Supercenters:

A Supercenter is also a self-service food and grocery outlet, but it is larger than supermarkets and offers large a product variety as compared to super-markets. It applies the one stop shopping concept.

2.3.3 Hypermarkets:

The Hypermarket is a large self-service outlet with items ranging from food, hardware, sports, items, furniture, home appliances and electronics representing complete shopping experience. Moreover, hypermarkets are carrying larger amounts of food items than supercenters.

2.3.4 Departmental stores:

The Departmental store is a large retail outlet having different departments or sections for different types of products. It offers a broad variety and deep assortment of products, which are displayed in different sections.

2.3.5 Warehouse Stores:

Warehouse stores offer a limited variety of food and general merchandise at discounted prices. As the name suggests, they offer the merchandise in larger quantities and generally have a customer base of family units and small businesses.

2.3.6 Convenience Stores:

Convenience stores are small in size and offer a limited variety of food and general merchandise to customers at convenient locations (i.e. in residential communities). Customers avoid the stress associated with long checkout lines, as compared to other larger shops. So as a result convenience stores may tend to charge higher prices in comparison to supermarkets, super centers and hypermarkets.

2.3.7 Discount Store:

Discount stores offer a large variety of unbranded or national brand merchandise with limited service and at regular discount offers.

2.3.8 Specialty Stores:

Specialty stores are small in sizes and are narrowly concentrated on specific types of products with deep product depth, supplemented by a high level of services.

2.3.9 Variety Stores:

Variety stores offer large variety (product width) of products with limited product depth.

2.3.10 Electronic Retailers:

In electronic retailing (also known as e-retailing), retailers offer goods and services over the internet with or without shipping facilities for merchandise delivery.

Table 1 summarizes the main characteristics of different retail formats discussed above:

Table 1: Characteristics of Retail Formats

Type	Variety	Assortment	Services	Prices	Size (000sq. Ft.)	SKUs (000)	Food (%)
Supermarket	Average	Average	Modest	Average	20-30	20/40	70-80
Supercenter	Broad	Deep	Limited	Low	150-220	100- 150	30-40
Warehouse club	Broad	Shallow	Limited	Low	100-150	20	60
Convenience store	Narrow	Shallow	Limited	High	2-3	2-3	90
Department store	Broad	Deep in average	Avg. to high	Avg. to high	100-200	100	
Discount store	Broad	Avg. to shallow	Low	Low	60-80	30	
Specialty store	Narrow	Deep	High	High	4-12	5	

Source: (Levy & Weitz, 2007) page 40-45

2.4 Customer Satisfaction and Loyalty towards Retail

Customer satisfaction is the match between an individual's perception about the performance of the product or service with respect to his or her expectations. The concept of customer satisfaction is based on customer expectations, if the performance of the product or service is below the level of expectation then the customer will be dissatisfied (Schiffman et al., 2008). Different authors' research various phenomena regarding retail satisfaction, consumer loyalty toward the grocery stores & store choice which are summarized in the Table 2 below.

Table 2: Summary of Prior Studies

Author	Dependent variable	Independent variable	Sample Used/ size	Findings
(Arnold, 2000)	Retail Satisfaction	Loyalty to Salesperson. Loyalty to Store. .	914 customers through questionnaire from two independent men's and women's specialty stores in the USA	1. Loyalty to salesperson has a positive effect on retail satisfaction. 2. Loyalty to stores also has a positive and significant effect on retail satisfaction.
(Huddleston, Whipple, & VanAuken, 2004)	Store Loyalty	Cognitive Antecedents(i.e. accessibility, confidence, centrality, clarity) Affective Antecedents(i.e. emotion, feeling states/mood, primary affect, satisfaction) Conative Antecedents(i.e. switching cost, sunk cost, expectation)	50 participant from Mid-western US city with majority of women participation	1. Discount prices through Advertisements increases store loyalty. 2. Stores close to home include location, easily accessible increases store loyalty. 3. Product assortment has a positive effect on store loyalty.

(Martenson, 2007)	Store Loyalty	Store as a Brand Manufacturer Brand Store Brand	1000 participants through Mail survey in Sweden	<p>1. Store as a brand has greater impact on customer satisfaction, which in return is translated in to store loyalty. The satisfying factors include: Relationship, cleanliness, understanding of customer needs, assortment of products, lower price and value for money.</p> <p>2. Manufacturer brand is the least important for store loyalty</p> <p>3. Store brand is less important to store loyalty.</p>
(Abu, 2004)	Retail Service Quality	Physical Aspect, Reliability, Interpersonal Relationship, Problem Solving, Policy	Different grocery stores size in Klang, Malaysia.	<p>1. Interpersonal Relationship and problem solving dimensions contributed significantly to the overall service quality in small-sized grocery store,</p> <p>2. Physical aspects and interpersonal relationship dimensions contribute significantly to the overall service quality in medium-sized grocery store,</p> <p>3. Physical Aspects, reliability, and policy dimensions contributed significantly to the overall service quality in the large-sized grocery retailer.</p>

(N. Chamhuri, 2009)	Store Format Choice	Freshness, Halal guaranteed Good, Relationship with retailers, Good quality, Competitive Price , Convenience, Varieties, Good environment	Four focus group interview with total No. of 45 participants from Klang Valley, Kuala Lumpur, Malaysia.	1. Freshness is the highly influential factor to attract customer for both stores. 2. Consumer preferred to buy from traditional store because of good relationships. 3. Consumer also preferred to purchase from traditional store because they bargain on price and get products in low price while prices are fixed no bargain in a modern store. Majority of focus group preferred to buy from traditional stores because of convenience.
(Abbasi, Akhter, Ali, & Hasan, 2010)	Customer loyalty	Customer satisfaction, Product image, Customer relationship, Trustworthiness	150 university's students from major cities of Pakistan	1. Customer satisfaction, Product image, Customer relationship, Trustworthiness have very important role in strengthening customer loyalty. But the most influential out of these are customer relationship and customer satisfaction.

(Bhatnagar & Ratchford, 2004)	Store Choice	Time, Price, Products Depth and Breadth Travel cost, Household income, Household refrigeration capacity, Perishability of goods, Number of cars in the household,	Survey of consumers Format choices in Buffalo and Amherst, USA, 526 completed mail surveys.	Product depth has a positive correlation with store selection especially in case of supermarkets. Price, time taken and distance have a positive relation in selection of Convenience store. The consumer also preferred convenience store in terms of perishable item (fresh fruits and vegetables). Large size families preferred to buy in bulk from food warehouse stores.
(Mutandwa, 2011)	Choice of Grocery Store	Product Place Price Promotion Processes Physical evidence People	55 admissible survey responses. The study was conducted in Zimbabwe (hyperinflationary economy).	From the seven Ps of marketing six Ps of marketing such as product (wide range of product), Place (proximity of store relative to other store) Price (attractive and lower price), Promotion (sales offers), Processes (late opening), Physical evidence (shop environment and reputation) have significant influence on modeling consumer choice of store for general grocery shopping in hyperinflationary economy.

(Thang & Tan, 2003)	Consumer Preference For Stores	Merchandising, Store Atmosphere, In-store service, Accessibility, Reputation, Promotion, Facilities, Post-transaction service	Survey of 6 big departmental stores in Singapore. 278 complete and admissible survey responses.	Consumers perceived that stores having superior merchandising, easy accessibility, good reputation, in-store service, store atmosphere and promotion are influence their preferences to purchases from larger-stores. Because larger-stores offer superior merchandising and the all above services and have an advantage over the smaller stores.
(Hotniar Siringoringo, 2007)	Retail Outlet	Shopping habits Attitude towards outlet Shopping Intention	A survey was conducted in Jabodetabek regions (Jakarta, Bogor, Depok, Tangerang and Bekasi) Indonesia. 1321 filled questionnaires used for analysis.	All individual determinants such as Shopping habit, shopping intention and attitude towards retail outlet play very important role on consumer retail shopping choice. Shopping habit (e.g. past positive experience with particular retail outlet) and attitude towards retail outlets (e.g. in terms of attitude towards low price) influence shopping intention.

(Yilmaz, Aktas, & Celik, 2007)	Consumer Store Choice	Selling improvement services, Sales personnel attitude, Services, Convenient location, Physical environment, Store reputation, Greengrocer butcher services, Attractive atmosphere, Price quality, Neat and order	A survey was conducted in five geographical regions in Turkey. 495 filled questionnaires used for analysis.	Results shows that convenient location, price and quality of products, sales personnel attitudes and physical attractiveness play very important role in consumer store choice and the two most important attributes are easy accessibility to the product in short time when at the store and the accessibility to the market under a larger concept of convenient location.
(Salim, 2009)	Store Loyalty	Store image, Store personnel, Store satisfaction, Culture	A survey was conducted in four cities (Jakarta, Depok, Tangerang, Bekasi) Indonesia. 1033 were completed surveys used.	Results show that store image, store satisfaction and cultural factors have a significant relation with store loyalty while store personnel have no significance in this study, due to increasing self-service in stores.

(Kamarulzaman & Chee Lih, 2010)	Shopping Attitude	Aesthetics, Convenience, Merchandising, Promotion,	A survey was conducted in shopping malls located in Kuala Lumpur, Malaysia. Sample of 317 respondents participated.	Result found that Aesthetics, convenience and merchandising are the important factors to go to shopping malls. Convenience as factor was found highly significant on actual action of shopping, while merchandising was not significant due to similar product base and variety among various shopping malls in the vicinity.
(Guenzi, Johnson, & Castaldo, 2009)	Store Loyalty	Trust in the salesperson, Trust in the store, Trust in the store branded products	A Survey was conducted among a sample of 393 customers of Italian supermarkets	Results showed that salesperson trustworthiness under head of trust in the salesperson and the store branded products have significant positive relationship with store loyalty.
(Palić, Maričić, & Kovač, 2011)	Customer Satisfaction	Personal service, Non-personal services	Survey of five retail chains in Croatian FMCG retail market with in-depth interview of 150 respondents.	Results shows that customers are most satisfied with shopping hours, and then ways of payments, prices levels, freshness and quality of goods. Results also show a positive relationship between kindness and availability of staff for help, information and advice with overall customer satisfaction.

(Dalwadi, Rathod, & Patel, 2010)	Consumer Perception towards Organized Retail Store	Demographic. Situational. Store attributes.	A Survey was conducted through a sample of 196 customers from organized retail stores in Ahmedabad, India.	Age, family Income, Marital Status, Gender and occupation have no significant influence on consumer perception towards organized retail stores. Sales personal also have no significant influence on consumers purchase decision. While store layout, convenient shopping, promotional schemes, product pricing, customer service, employee behavior and store ambience have positive influence on consumer's perception towards organized retail store, except product range which is valued less by customers.
(Cherukuri Jayasankara Prasad, 2011)	Retail Format Choice	Demographic, Geographic Psychographic	Survey conducted in Secunderabad and Hyderabad in Andhra Pradesh, India with 1040 completed surveys used for analysis.	Younger, higher income and educated people have greater patronage towards modern grocery store. Large family sizes preferred supermarkets and hypermarkets. From geographic point of view people preferred to shop where stores are less distant from households usually customers buy from convenient stores. From Psychographic point of view which includes values, lifestyle and shopping orientation has significantly influence on store format choices. And people preferred different retail format according to his/her values, lifestyle and shopping orientation.

(Mittal & Prashar, 2011)	Retail Purchase Behavior	Proximity, Product Assortment, Ambience, Price, Communication, Service,	Structural questionnaire survey with Sample of 90 respondents from three different locations of Punjab, India	Proximity, product range & price are the most important factors and highly significant for purchase behavior. While the impact of Ambience, Communication and Service varied according to geographic locations. But price and proximity are more important factors than others.
(Thenmozhi & Dhanapal, 2011)	Customer Satisfaction and Loyalty in Unorganized Retail	Store merchandise, Access, Personal interaction, Problem solving, Policy, Physical aspects.	463 completed surveys from adults in Tamilnadu , India.	Store merchandise, Access, Problem solving and Personal interaction has a significant impact on customer satisfaction. While problem solving and personal interaction have significant impact on customer loyalty. Policy and physical aspect are found to have no impact on any dependent variable.

(Zameer & Mukherjee, 2011)	Consumers Patronage behavior between Traditional and Modern store	Location Convenience, Customized Convenience, Dissonance Reducing, Store Management	352 filled questionnaires from adult respondents from different stores in the national capital region,(Dehli metro, Noida, Gurgaon and Faridabad) India.	<p>Location and Customized Convenience include distance from household, Phone order, Home delivery, Credit facility, Bargaining facility attract customers towards traditional store. Furthermore, Dissonance reducing measures include good return and exchange facilities are found to have a significant role towards the traditional retail stores because of good relation with customers, retailer offers this facility to customers.</p> <p>Product choice includes Product variety, product quantity & Expected prices attract customers towards modern store.</p> <p>Store management includes self-service, store layout courtesy of staff and product knowledge by staff, atmosphere of the store and regular product availability attract customers towards modern store.</p>
(Mirza, 2010)	Choice of Retail Outlet	Age Gender Household size Occupation Education level Level of income	Telephone survey of 150 adult respondents in the city of Karachi, Pakistan	Age, gender and occupation do not have a significant impact on retail choice formats, while household size, level of income and education have a significant impact on the same.

(Gull & Tariq, 2011)	Grocery Store Loyalty	Free gifts Percentage discount, Membership cards	Survey of 220 adult female respondents in the city of Lahore, Pakistan	Loyalty programs for grocery store such as, Free gifts have a positive impact on store loyalty, results shows that an increase of the free gifts offer in grocery stores will increase the loyalty among customers with that particular grocery store and results also shows that an increase in the use of percentage discounts, loyalty of customers will also increase. While membership cards do not have impact on store loyalty, as most people are not fully accustomed to that attribute.
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The above table of studies lists important literature for this research. These studies have tried to explain the influence of various factors on the grocery shopping behavior and store patronage decisions made by customers.

2.5 General Overview of Prior Studies

The above table relates broadly to customer loyalty, satisfaction and purchasing behavior with reference to retail format choice. It was observed that a majority of these studies were done in the Asia with 14 out of 22 studies done in countries like India and Malaysia. Only a few studies were done in Europe (4), America (3) and Africa (1). 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.

2.5.1 Statistics of Study Samples

Most of the studies used a sample from the general population of consumers frequently visiting and purchasing from the stores in question. Arnold (2000), Bhatnagar & Ratchfed (2004), Hotniar Siringoringo (2007), Thang & Tan (2003) and Zameer & Mukhejee (2011) all used the aforementioned sample type. Few studies were conducted among students i.e. Abbasi, Akhter, Ali & Husan (2010) and N. Chamhuri (2009) was done among academic professionals.

A majority of studies had less than 500 people in their sample (i.e. Huddleston, Whipple, & Van Auker (2004), N. Chamhuri (2007), Thang & Tan (2003), Dalwadi, Rathod & Patel (2010), Mirza (2010) and Zameer & Mukhejee (2011). Only a few of the studies had more than 500 people in their sample, which include Arnold (2000), Martenson (2007), Bhatnagar & Ratchford (2004), Yilmaz, Aktas & Celik (2007) and Salim (2009).

From the above studies the most common sample type and the most common sample size was averaged out. The sample type being the general consumer population and the sample size consists of 500 people. Based on the popular practices in the above research studies for the purpose of this research the sample type and size selected are the same. 500 general consumers from the population.

2.5.2 Selection of Dependent Variables

The two most common dependent variables viewed in the literature above came out to be store format choice and store loyalty. From the table above 11 out of 22 studies used store format choice as a dependent variable these are studies from Salma Mirza (2010), Zameer and Mukhejee (2011), Parsad and Aryasri (2011), Yilmaz, Aktas & Celik (2007), Chamhuri and Batt (2007), Thang and Tan (2003), Muzondo and Mutandwa (2011) Dalwadi, Rathod&Patel (2010), Bhatnagar and Ratchford (2004), HotnairSiringoringo (2007) and Abu (2004) .

Seven out of 22 studies used store loyalty as a dependent variable i.e. the studies of Huddleston, Whipple (2004), Rita Martenson (2007), Guenzi et al (2009), Gull and Tariq (2011), Arnold (2000) Lina Salim (2009), Thenmozhi & Dhanapal (2011). The rest of the studies used customer loyalty and customer shopping attitude as a dependent variable. Different studies looked at different variables and their relations to others in different settings. This research will consider the dependent variables in a similar way to that of Zameer and Mukhejee (2011). The traditional store choice shall be compared and weighed against the modern stores on the basis of several factors. The major reason for studying the same is the impact of modernization in developing society.

For this purpose, it is important to know what do traditional store and modern store formats actually mean. In this research these two format types are defined as followed:

2.5.2.1 Traditional Store Format

Traditional store format is defined as any retail outlet that is managed locally by the owner or the caretaker of the shop. Traditional store format includes the small neighborhood store, street vendors and mom & pop stores (Raja, 2011). Such outlets lack technical and accounting standardization. The supply chain and the sourcing are also done locally to meet the local need (ICRIER, 2005).

2.5.2.2 Modern Store Format

Modern store format is defined as any retail outlet that is professionally managed even if it is family run. These formats include supermarkets and hypermarkets with complete shopping experience under one roof (Raja, 2011). A store is termed as ‘modern’ if it has the following features: accounting transparency with proper usage of management information system and accounting standards. Modern store formats have organized supply chains with centralized quality control and sourcing mechanisms (ICRIER, 2005).

2.5.3 Selection of Independent Variables & Hypothesis Generation

From the above literature review several variables were taken under consideration in different circumstances and situations. Based on those, for the purpose of this study, the independent variables selected are product variety, Store Atmosphere, Courtesy of Staffs, Price, Location Convenience and Household Income Level. These independent variables are discussed, their expected influence explained, and related hypotheses are drawn.

2.5.3.1 Courtesy of Staff

Generally in the modern stores the sales staff is well trained, educated and interacts regularly with the customers present in the store. Treating the customers with respect and helping them in finding the right products is also of utmost importance. Customers who shop from modern retail formats give higher attention to the store staff’s courtesy and behavior.

A majority of authors have looked into Customer Relationship Management. 17 out of 22 studies have looked into the impact of various aspects of Customer Relationship Management on customer retail loyalty and customer retail format choice. They have addressed this relationship in different ways. Arnold (2000) mentioned it as salesperson relation, Abu (2004) defined it as an interpersonal relationship, Yilmaz et al., (2007) expressed it in terms of salesperson attitude and Zameer & Mukherjee (2011) stated it as a courtesy of staff. All of the above found that courtesy of staff has a positive effect on consumer attitude and consequently the affability of staff attracts customers towards modern retail stores. On the other hand studies by Lina Salim (2009), and Muzondo & Mutandwa (2011) found that courtesy of staff did not impact the retail format choice for customers. Even though the studies conducted had different subject matters and contexts, so this differentiating result gives rise to a possible query accordingly, this variable is included in this study in order to revisit its effect also in the Pakistani context. For the purpose of this research it is assumed that courtesy of staff should be an important aspect in the decision to choose store format. Thus the hypothesis states:

H1: The more important staff courtesy is to the customers, the more likely they are to choose a modern store format than the traditional store format.

2.5.3.2 Reasonable Price

Studies have pointed out the importance of competitive prices on a choice of store formats. People are perceived as price sensitive in case of grocery purchase. These items are generally purchased on a daily basis and consumers are well aware of price charts on regular purchase items. In this regard, the people who are more prices conscious prefer to shop from modern stores due to low price and only if prices are reasonably competitive select traditional store formats.

13 out of 22 studies have looked into various aspects of price competitiveness. Bhatnagar & Ratchford (2004) found that competitive prices had positive relationships with store format choice selections. The results show that price had played a positive role in selecting convenience stores. Furthermore, consumers who are most sensitive to price select supermarkets and warehouse formats for food & grocery shopping. Yilmaz et al., (2007), Muzondo and Mutandwa (2011), and Mittal & Prashar (2011) also studied the impacts of price on grocery store choice. They concluded that the price had played a significant and important role in selecting store format and had an obvious imprint on consumer shopping behavior. Dalwadi et al., (2010) looked at the price with reference to consumer perception toward modern stores. They found that the price is the most important factor influencing customers especially in the purchase of food and grocery from modern stores. The suggested reason for this was that, the customers perceived modern stores to offer highly competitive prices and value deals in order. Zameer & Mukherjee (2011) looked at the price in comparison between traditional and modern stores. Their results showed that the price had a positive impact on both store formats. However, the most important finding was that consumers perceived that prices were higher in modern store due to more sales staffs, lighting, being neat and clean and using air conditioning. At the same time, they generally perceived that prices were lower in traditional stores as compared to modern stores. Keeping this in mind, one can argue that if both formats offer similar price consumers will select the format they are more familiar with (i.e. the traditional format). Based on above findings for the purpose of this research the hypothesis is:

H2: The more concerned customers are with reasonable prices, the more likely they are to choose traditional store format than a modern store format.

2.5.3.3 Product Variety:

According to literature viewed earlier product variety in grocery retail is equally important for both retail formats. The majority of customers perceived that modern retail outlets have growing influence compared to traditional store formats due to the assortment of different brands available under one-roof.

Different researchers have looked into the importance of product variety. 14 out of 22 studies have focused on different aspects of product variety. Huddleston, Whipple, & VanAuken (2004) and Martenson (2007) looked at product variety as their independent variable on grocery store choices. They found that product variety has a positive impact on store format choice and store loyalty. In these studies it was shown that customers preferred to shop in stores that stocked larger product varieties. Similarly, Zameer & Mukherjee (2011) studied product variety and compared traditional and modern store format choice. They concluded that due to large product variety in modern stores customer preferred to go for grocery shopping there. This factor played an important role in modern store selection over a traditional store as it reduced customer search effort. On the other hand, the study conducted by Dalwadi et al., (2010) showed that there is no significant impact of product variety on store format choice. This was because the customers in that study did not believe that the product range offered at the stores was good enough. These contradicting results represents an opportunities for discussion as to what level, if any, this variable may influence the consumer store format selection. Therefore, for this research it is assumed that stores having a larger product variety are likely to be preferred by the customers. Consequently, the following hypothesis is suggested:

H3: The more the customer prefers product variety, the more likely they are to choose a modern store format than the traditional store format.

2.5.3.4 Store Atmosphere:

Literature suggested that the store atmosphere is another factor that plays an important role in attracting consumers towards various retail formats. Studies indicated that this factor is most influential for modern store formats. This is because in modern stores, the customers find it easy to move around and find their desired products and brands effortlessly. Furthermore, the modern stores are well equipped with modern fixtures and lightings and additional indoor shopping facilities like food courts, indoor playing section for children, clean and attractive restrooms, temperature control, lifts and escalators for movement between the floors, etc.

Among the earlier studies, 15 out of 22 have looked into different aspects of store atmosphere in different ways. Some studies looked at it from the aspect of cleanliness and sanitation. Other studies looked at store atmosphere from the perspective of store environment. Some tested it with reference to store layout, convenient shopping inside the store, store ambience, music, lighting, colors and visual communication to customers. All the aspects of a store atmosphere listed above were studied in the context of impacts on a retail format choice of the consumers. Martenson (2007) described store atmosphere as level of neatness and sanitation. She found that cleanliness makes a high and positive impact on consumer purchase behavior. Thang & Tan (2003) found that stores with attractive atmosphere offering comfort shopping attracts more customers and also increases their repeat visits. Zaheer & Mukherjee (2011) looked at store atmosphere of traditional and modern store formats. They found that modern stores have an advantage over traditional stores due to ease in mobility inside the store and proper lighting & signage for consumers' convenience. In this regard store atmosphere has a positive impact on store format choice particularly in organized modern stores. In sum, it can be said that store atmosphere works positively on customers' perception towards retail format choice. For the purpose of this research it is assumed that favorable store atmosphere is an important aspect in the decision to choose store format. Due

to this assumption this factor is included in the study of factors affecting the retail format choice. Thus the proposed hypothesis states:

H4: The greater the perceived importance of store atmosphere is to customers, the more likely they are to choose the modern store format than the traditional store format.

2.5.3.5 Location Convenience:

Studies show that location convenience is another significant factor that attracts customers to different store formats and draw them especially towards traditional stores. The reason is that the majority of the population does not prefer the usage of means of transportation to reach relatively distant locations for daily grocery shopping. Another reason is that in a traditional developing country context, the majority of grocery shopping is the responsibility of the housewives, who prefer to shop from traditional stores as they are normally situated very close to their homes.

12 out of 22 studies looked into different aspects of convenient locations. Zameer & Mukherjee (2011), Cherukuri Jayasankara Prasad (2011) refers to location convenience as distance between place of residence and the grocery store. They found that location convenience has an impact on store format choice. Zameer & Mukherjee (2011) said that traditional stores are commonly located within a half kilometer from the households while modern stores have longer distances and are usually located in metropolitan areas or out of town altogether. Thenmozni & Dhanapal (2011), Huddleston et al., (2004) and Thang & Tan (2003) define location convenience as accessibility, convenient distance and closeness of store. They found that convenient location has an important impact on store format choice decision. Hence for the current study it was assumed that location convenience is an

important aspect in the decision to choose store formats. Consequently, the suggested hypothesis is:

H5: The more important store location convenience is to customers, the more likely they are to choose the traditional store format than modern store format.

2.5.3.6 Household Income

Literature suggested that in developing countries, it is common that consumers with high income levels prefer modern stores as they provide a large variety, assortment and quality. Furthermore, rising incomes correspond to the desire to not only improve the quantity of products consumed but also the quality of household purchases and hence quality of life.

From the demographic point of view 5 out of 22 studies have pointed to the importance of household income in consumer purchase & store selection decisions. These studies looked at different demographic factors affecting store format choice decisions. Mirza (2010), Cherukuri Jayasankara Prasad (2011) and Bhatnagar & Ratchford (2004) looked into the level of income on store format choice. They found that the household level of income has significant impact on store format choice. High level income households preferred to purchase food and grocery from modern stores (i.e. superstores, hypermarkets, etc.) While lower level income households preferred convenience store types or general stores that are usually nearer to their homes. On the other hand, the study by Dalwadi et al., (2010) found that the level of household income has no significant impact on store format choice decision. This contradiction between the studies gave an opportunity to include this variable in this research. Another reason to include this variable is that it was already studied in the context of Pakistani consumers and a positive impact on a store format choice decision was found. For this purpose, the household income will be used as an independent variable as used by Mirza (2010). Thus, the hypothesis states:

H6: The more higher the monthly income of customers is, the more likely they are to choose a modern store format then the traditional store format.

2.6 Conceptual Framework

After reviewing the previous literature, the dependent variables tested in the study by Zameer & Mukherjee (2011) were believed to be most important for current research. This research aims to find out which factors (independent variables) have significant influence on consumer patronage behavior towards traditional and modern food and grocery stores in Pakistan. The study shall be conducted in one of the largest and most heavily & diversely populated cities. Lahore city providing, while coverage a large spectrum of respondents from various fields of life. The selected variables for this research are:

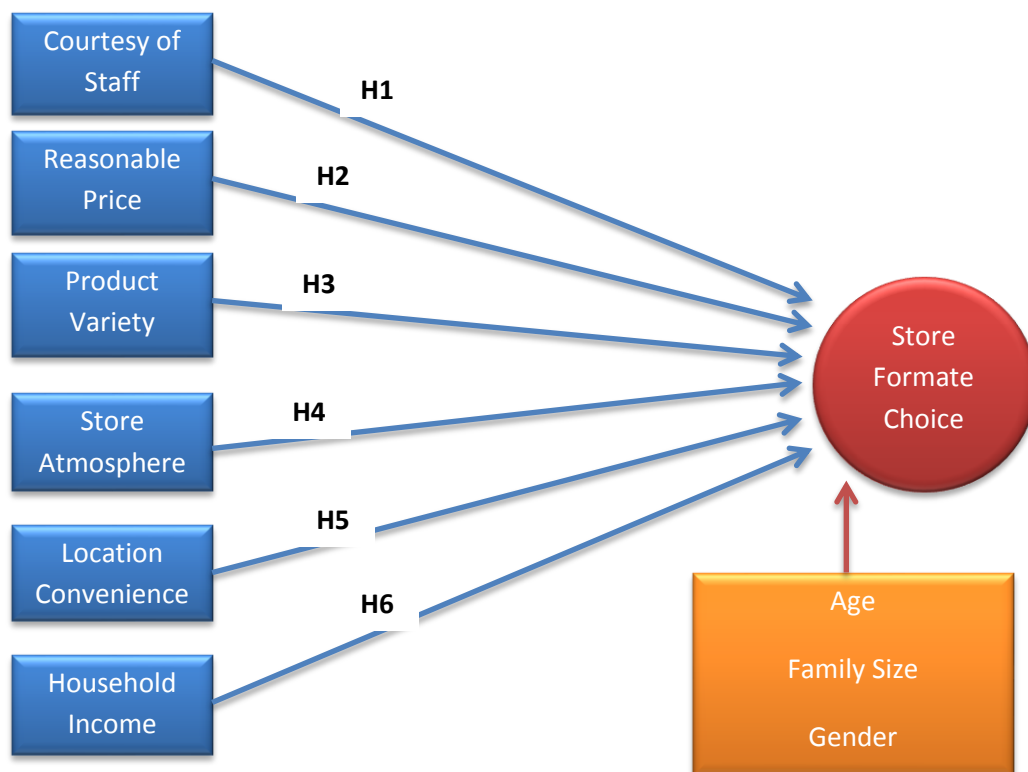


Figure 1: Conceptual Frame Work

Figure 1 above summarizes the conceptual framework which was developed on the basis of previous literature, and incorporates 6 hypotheses. The relations or the impact direction of the independent, control and dependent variables can be viewed from the model above. This shall be the foundation for conducting the research and answer the research question that was presented earlier.

2.7 Measurement of Independents Variables

Based on the literature presented earlier, the following independent variables were identified: product variety, price, courtesy of staff, store atmosphere, household income and location convenience. Their effect on retail format choice or consumer patronage behavior towards traditional and modern store will be examined. For this purpose, multi-item scales to capture the main variable will be used. Respondents ranked them on 5 points Likert scale where 1= strongly disagree to 5= strongly agree.

Table 3 summarizes the variables, the items used for capturing them as well as references to studies from which they were adopted.

Table 3: Variables Measurement and Sources

Variables/ items	Source
<i>Product variety</i> (five point, strongly disagree- strongly agree)	Adapted from Dalwadi, Rathod& Patel (2010)
This store keeps product variety in sufficient stock.	
This store keeps product variety of high quality.	
This store keeps multi brands and product variety.	
<i>Price</i> (five point, strongly disagree- strongly agree)	Adapted from Dalwadi, Rathod& Patel (2010)
At this store prices are with beneficial discount offers.	
At this store prices are reasonable compare to the quality.	
At his store low prices attract me.	
<i>Courtesy of Staff</i> (five point, strongly disagree- strongly agree)	Adapted from Dalwadi, Rathod& Patel (2010)
At this store employees are prompt serving.	
At this store employees are helpful.	
At this store employees have product knowledge.	
At this store customers get individual attention.	
<i>Store Atmosphere</i> (five point, strongly disagree- strongly agree)	Adapted from Dalwadi, Rathod& Patel (2010)
This store has clean and attractive.	
This store has spotless and bright lightings.	
This store has display of merchandise as excellent.	
<i>Location Convenience</i> (five point, strongly disagree- strongly agree)	Adapted from Dalwadi, Rathod& Patel (2010)
The location of this store is close to the house.	Adapted from Yilmaz, Aktas & Celik (2007)
Easy transport availability to the store.	
I usually buy from the nearest store.	Adapted from Cherukuri Jayasankara Prasad (2011)
I use my own vehicle to reach the store	

Chapter 3

Research Design and Methodology

This chapter presents the overall research design, data sampling and data collection methods used in the current study. Furthermore, the statistical methods used for the analysis of the variables of the study are also presented.

3.1 Overall Research Design

The research design represents a master plan of action for the research that begins with defining the research question, selecting appropriate variables for study, methods for collecting the desired data and finally analyzing the same for accurate results. Where the research design encompasses the entire framework to conduct the research, the research methodology is one part of it. It deals with deciding and implementing suitable techniques used to collect and analyze data for the study (Ghauri & Grønhaug, 2010).

Descriptive research is used when the purpose is to state and define the characteristics of certain groups, to estimate the proportion of choices made by subjects in a specified population and to analyze relationships between variables, or to make predictions for future research. Descriptive research always starts with previous knowledge and already known facts about a phenomenon under study. Also, it is based on a specified and concise hypothesis. Descriptive research design is classified into two types namely: I) Cross-sectional studies and II) Longitudinal studies. Cross-sectional studies involve a sample of elements from the population of interest measured once. This means that the views or responses of a sample are gathered at a specific point in time. Hence, it deals with the current situation or 'now' question. Alternatively, longitudinal studies are long term studies in which the respondents are observed and questioned at different points in time (Zikmund, Babin, Carr, & Griffin, 2010).

The current research is a cross-sectional study and following a descriptive research design. Accordingly, this study started with prior knowledge about the area of interest. The prior studies were used to identify dependent variables and develop concise research hypotheses. Detailed characteristics of the phenomenon were described and a research question was formalized. Data collection for analyzing the relationships existing between the identified dependent and independent variables was made in a single point in time.

The current research is conducted in Pakistan. According to the CIA world fact book (2012) Pakistan is the sixth most populous country in the world and the total estimated population is 179 million inhabitants (PCO, 2012). The majority of the population in Pakistan belongs to rural area which is 64% and 36% representing the urban population. Karachi and Lahore are the major urban cities with an estimated population of 13.125 million and 7.132 million respectively (CIA, 2012) . Karachi and Lahore are the 20th and 37th largest cities in the world respectively (worldatlas, 2012). Representing a large developing country metropolis in both domestic and international terms, Lahore was deemed as a relevant settings for data collection.

3.2 Data Sources

After the careful selection of suitable research design, the next step is to select the type of data required to answer the research problem. There are two types of data available; 1) secondary data and 2) primary data.

Secondary data refers to data, that already exists or information already collected, compiled and analyzed by others for different reasons and purposes, which may vary from the current research. Such data sources are generally utilized at the beginning of any research to generate a concrete base for the investigative question in mind. Once one has the previous knowledge of what has already been done in the field, one gets a better understanding of how to tackle

the problem at hand. Primary data refers to the new, specified and original data, which is collected by a researcher for a particular research problem or investigation (Ghauri & Grønhaug, 2010). For the purpose of this study, the analysis is based on primary data that was collected specifically for this study.

3.3 Sampling

According to Ghauri and Grønhaug (2010) when the research problem is specified and suitable research approach & data source is developed, the next step in research is to pick those elements from which the information is needed. For that purpose initially a population and consequently a sample must be identified. First, the population included in this research is identified. Population refers to a larger group of study units that are targeted for a specific study. For this research, the target population identified was consumers in urban area of Pakistan, and more specifically consumers residing in Lahore city. It is the provincial capital of Punjab Province and is vastly diverse in terms of the composition of its residents. As it is one of the largest and more developed cities of Pakistan, it provides a larger consumer base with differentiated demographics to capture in data collection.

3.4 Research Sample and Size

For this study seven different geographical locations of Lahore city, the capital of Punjab Province are selected. These locations reflect the diversity of the people which reside in them these are: Model Town, Faisal Town, Allama Iqbal Town, Township, New Garden Town, Muslim Town and the Cantonment Area. These locations are more suitable for field survey and convenient for the survey participants as these areas are in close vicinities to offices and market areas. A large variety of retail stores of different formats to choose from are available to the residents either very close by or on a relatively convenient distance. The respondents were chosen randomly from shoppers in markets within or close by to these specific areas.

The respondents were mainly unplanned consumers whoever visited the stores. Data collection continued until filled surveys were collected from a total of 500 adult retail customers of food and grocery in the above mentioned locations. Each respondent completed a questionnaire having 15 statements on 5- point-Likert Scale (1= strongly disagree to 5= strongly agree). As presented earlier, all the measurement items (questionnaire statements) were adopted from prior studies. Furthermore, 9 demographic statements were also included in the questionnaire.

3.5 Data Collection Method & Tool

A consumer questionnaire survey was carried out in Lahore, Pakistan; with the help of a few Masters Students of The University of Punjab (situated in Lahore). Help from local residents was required as the primary researcher was not physically & geographically available in Pakistan. The responses were collected on the basis of face to face interaction & interviews with store customers. A structured questionnaire with closed and open ended questions format was used (see appendix A). Before the survey was conducted the researcher gave a full presentation to the Data Collectors (DC) regarding research questionnaire and also about how to collect data from the respondents. This presentation was made via video conferencing and mobile communication. Furthermore, the researcher was available to Data Collectors to solve any queries over the internet and mobile phone.

The survey questionnaire was presented in English. However, the researcher provided explanations to Data Collectors (DC) in the native Urdu language for ensuring understanding. The questionnaire was distributed among customers who visited either modern stores or traditional stores, preferably those who were in charge of household grocery shopping. The data was collected from stores located in seven different locations of the Lahore city as mentioned before. For each area approximately 80 - 85 questionnaires were distributed.

Respondents were randomly approached by Data Collectors. The data was collected after the customers had finished their shopping and were ready to leave the store. Both willing and unwilling individuals were encountered. However, most customers were cooperative and answered the questionnaire. As the total sample size for this research was decided to be 500, around 70 to 72 completely filled questionnaires each from the 7 different locations were used for analysis. The main reason to get the questionnaires filled face to face was that personal contact encourages and motivates consumers to give more accurate data and also verbal communication takes less time to get the questionnaire completed. Respondents were clearly informed that they are participating in a study of retail format choice between modern stores versus traditional stores for Master's Thesis research.

3.6 Measurement of Variables

3.6.1 Dependent Variable

The choice of traditional store versus modern store format: is considered as the dependent variable (STORE). The respondents had to choose their favorite store format based on several different factors. Traditional store is defined as any retail outlet that is managed locally by the owner or the caretaker of the shop. While Modern store format is defined as any retail outlet that is professionally organized and managed even if it is family run. It can be termed as modern store if it has the following features including: accounting transparency with proper usage of management information system (MIS) and accounting standards. The dependent variable was captured by a binary variable and coded as either 'zero' or 'one'. Where "zero" represents traditional store format and "one" represents modern store. This variable was taken from the study of Zameer & Mukherjee (2011).

3.6.2 Independent Variables

An independent variable is also known as the predictor or explanatory variable, which is supposed to explain the dependent variable (Hair, 2006). The respondents were asked to state

the level of importance they attached to each of the selected independent variables in purchasing food and grocery items from traditional or modern store formats. As mentioned earlier, 6 independent variables were derived from prior studies. Below each variable is explained one by one.

3.6.2.1 Courtesy of Staff

It is defined as the friendliness and accommodation, hands on knowledge the staff has and their willingness to help consumers locate the right product and give them proper advice about an unknown product or brand. This aspect impacts the retail experience from a customer's point of view. Four dimensions were formulated to capture courtesy of staff (CoSTAFF): "employees are prompt serving" "employees are helpful", "employees have product knowledge", "customers get individual attention". All four aspects were adopted from the study of Dalwadi, Rathod & Patel (2010). Customers rated the importance of these aspects along 5- point Likert-scale (1= strongly disagree, 5= strongly agree).

3.6.2.2 Price

Price is defined as the economic value advantages a customer receives by purchasing an item from any store. Prices in modern stores are generally lower than traditional stores due to bulk-purchases (Zameer & Mukherjee, 2011). Three dimensions were included to capture price (PRICE): "beneficial discount offers", "reasonable price compared to quality" and "competitive low price". All the three items were adopted from the study of Dalwadi, Rathod & Patel (2010). Customers rated the importance of these items along 5-point Likert- scale (1= strongly disagree, 5= strongly agree).

3.6.2.3 Product Variety

It is defined as the total number of products available in a store with respect to different brands, categories and their stock keeping units (SKUs). More product variety is observed in a modern store than in traditional stores (Zameer & Mukherjee, 2011) .

Product variety (PRVAR) was captured on the basis of three aspects from the study of Dalwadi, Rathod & Patel (2010): “variety in sufficient stock”, “Variety of high quality” and “multi brands and product variety” customers rated the importance of each item along 5-point Likert-scale (1= strongly disagree, 5= strongly agree).

3.6.2.4 Store Atmosphere

It is defined as the indoor environment of the store like visual communications, Colors, lighting, music and scent which stimulate customers’ emotional and perceptual responses and ultimately affect their purchase behavior (Levy & Weitz, 2007). To capture store atmosphere (SA), I choose one single item, namely “cleanliness and attractiveness” taken from the study of Dalwadi, Rathod & Patel (2010) to measure store atmosphere. Other items were removed as they did not load on a single unique factor in a factor analysis check.

3.6.2.5 Location Convenience

It is defined as the distance from the household to the store (Zameer & Mukherjee, 2011). To capture location convenience (LOCATION) four items were used: “this store is close to house”, “transport availability to store” both adopted from the study of Yilmaz, Aktas & Celik (2007), and “buy from the nearest store” and “use own vehicle” both adopted from Cherukuri Jayasankara Prasad (2011). Customers rated the importance of each item along 5-point Likert-scale (1= strongly disagree, 5= strongly agree).

3.6.2.6 Household Income

It is defined as the monthly income earned by households through employment services, or self-owned business. Household income (INCOME) was captured as the monthly income earned by households through services or business, as mentioned in prior studies. Amount of monthly income ranged between (PKR 10000 - 20000) considered as low income, (PKR 20000-30000 & PKR 30000-40000) considered as medium income, and (PKR 40000-50000 and above PKR 50000) considered as high income; (PKR = Pakistani Rupee). As mentioned in the previous chapter, this variable is a crucial factor in determining household decisions including the grocery shopping. These ranges are selected because similar amounts have been used in different studies conducted previously Jayasankara Prasad (2011), Dalwadi, Rathod& Patel (2010), Zaheer& Mukherjee (2011) and Mirza (2010). Even though these aforementioned studies were conducted in Indian context, vast resemblance exists in the context of Pakistan as well.

3.6.3 Control variables

Based on previous literature, the following demographic variables were used as control variables.

First, previous studies showed that family size had significant influence on store format selection choices (Cherukuri Jayasankara Prasad 2011, Mirza 2010). Due to larger consumption levels, larger families have preferred organized store formats for purchase of bulk household items where they might get discount prices.

The second control variable selected is age (Age). Age also influences the decisions of store format choice. Cherukuri Jayasankara Prasad (2011) study suggested that consumers who are younger have greater patronage towards organized retail grocery store formats.

The third variable is gender (Gender). Early study of Cherukuri Jayasankara Prasad (2011) Stated that gender had a significant relationship with retail format choice. The study said that “*considered as a gendered activity and noticeable differences have existed between male and female customers towards retail format choice*”. Therefore, Gender is also included as a control variable and assigned the values i.e. “0” for men and “1” for women.

3.7 Factor Analysis:

Identifying Key Factors Influencing Consumers Choice between Traditional and Modern Store

Factor analysis is a statistical technique used to reduce redundancy in the observable variables. In this research factor analysis is used to reduce the large number of dimensions identified for the independent variables and to ensure accurate classification under the broader dimensions (variables). Specific items that capture broader dimensions and are highly correlated are assumed to be members of the same element or common set of variable or factor (Hair, 2006). Factor analysis also provides the structure of the inter relationships among large numbers of variables into one common variable or factor (Field, 2009). The Kaiser-Meyer- Olken (KMO) measure, examines and measures sample adequacy and appropriateness for conducting factor analysis. If the values of KMO test are between 0.5 to 0.7, they are considered moderate, values range between 0.7 and 0.8 is considered good, values between 0.8 to 0.9 are considered excellent and values above 0.9 are ranked as superb for factor analysis. On the other hand, any value below 0.5 to 0 shows that the factor may not be appropriate and requires more data collection for accurate predictions (Field, 2009).

Bartlett’s test of sphericity is a statistical test used to examine the hypothesis that the variables are not correlated with each other within the population, while each variable correlates perfectly with itself and no correlation exists with the other present variables (Mittal & Prashar, 2011).

Factor 3 were “employees are helpful”, “employees have product knowledge” and “customers get individual attention”. Combined these items are labeled as Courtesy of staff (CoSTAFF). And finally, Factor 4 had three items loading onto it includes “store prices are with beneficial discounts”, “prices are reasonable compare to the quality” and “low prices attract me”. This factor was grouped under Price (PRICE). Below, table 5 displays the results of factor analysis of store format.

Table 5: Rotated Component Matrix of the Factor Analysis for Traditional and Modern Store

Items	Factor 1 Location Convenient	Factor 2 Product Variety	Factor 3 Courtesy of Staff	Factor 4 Reasonable Price
This store keeps product variety in sufficient stock.		.757		
This store keeps product variety of high quality.		.837		
This store keeps multi brands and products variety.		.716		
At this store prices are with beneficial discount offers.				.747
At this store prices are reasonable compare to the quality.				.695
At his store low prices attract me.				.709
At this store employees are helpful.			.728	
At this store employees have product knowledge.			.764	
At this store customers get individual attention.			.772	
Location of this store is close to house.	.854			
Easy transport availability to the store.	.812			
I usually buy from the nearest store.	.788			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

To check the internal consistency of the aggregated construct's reliability, the Cronbach alpha coefficient was used to determine the homogeneity of the measurement tool. Table 6 presents the Cronbach alpha's of the four multi-item constructs. All representing acceptable levels in social science research.

Table 6: Reliability of Variables

Variables	No. of Items	Name of Items	Cronbach Alpha (α)
Product Variety	3	Pv1, pv2, pv3	.738
Location Convenience	3	LC1, LC2, LC3	.769
Price	3	P1, P2, P3	.568
Courtesy of Staff	3	Cos2, Cos3, Cos4	.683

3.8 Statistical Methods

A Logistic Regression analysis with the help of SPSS software was utilized to analyze the relation and influence of various elements on the store format choice. This is a categorical or binary variable, divided into two groups 'Modern store format' and 'Traditional store format, captured by the assigned the values of "zero" for Traditional store and "one" for Modern store. This analysis showed which independent variable had a significant impact on the store format selection and which did not. In other words, it identified which elements or circumstances compel customers to select a specific kind of retail store.

3.9 Correlation

Correlation is the first step of the regression analyzes, because with the correlation, the existence of the relationship between variables and output relationship can be confirmed and calculated. Furthermore, if a relation is confirmed to exist the direction of this relationship is

also validated. Third, the intensity of the relationship between variables is measured and understood. Finally, the correlation analysis may also explain the importance or significance of the relationship between variables (Hair, 2006). The correlation coefficient varies from -1 to +1, with -1 indicating perfect negative correlation, and +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. This means that if a positive relation occurs between the dependent and the independent variable, the later propels the former directly and vice versa.

Table 7: Pearson Correlation analysis of Store format choice

	Pearson Correlation									
	1	2	3	4	5	6	7	8	9	10
Dependent variable										
1. Store format choice	1									
Independent Variables										
2. Location	-.268**	1								
3. Product variety	.430**	0.24	1							
4. Courtesy of staff	.212**	.009	.012	1						
5. Store atmosphere	.416**	-.103*	.465**	.302**	1					
6. Price	-.126**	.016	.020	-.006	.051	1				
7. Age	.035	.046	.055	.032	.016	-.035	1			
8. Gender	.063	.017	.009	.097*	-.053	-.035	.025	1		
9. Family size	-0.34	.015	-.006	.017	.019	-.013	.202**	.020	1	
10. Monthly income	.277**	-.085	.215**	.083	.103*	.023	.143**	-.004	.094*	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

N= 471

In table 7 the correlations of ten variables which are store format choice, location, product variety, courtesy of staff, store atmosphere, price, age, gender, family size and monthly income are summarized. The relationships between store format choices with all independent variables are investigated by Pearson product moment correlation coefficient.

The table shows that store format choice (STORE) has a negative and lower relation to location with $r = -0.268$. Furthermore variable like product variety and store atmosphere show medium relation with store format choice with $r = 0.430$ and $r = 0.416$ respectively. Courtesy of staff also shows lower positive relation with store format choice with $r = 0.212$. Price shows lower negative relation with store format choice with $r = -0.126$. Monthly income has a lower positive relation with store format choice with $r = 0.277$ and family size with medium negative relation with $r = -0.34$. Two variables i.e. age and gender have insignificant relation with store format choice with $r = 0.035$ and 0.063 respectively. From the above nine variables only six variables i.e. location, product variety, courtesy of staff, store atmosphere, price and monthly income shows a medium relation with store format choice. On the basis of Pearson correlation it can be concluded that location, product variety, courtesy of staff, store atmosphere, price and monthly income have a respectable relation with store format choice.

From the above data the variance can also be calculated which means to measure how much variance is being shared by these variables. Product variety and store atmosphere helps to explain the variance in response to store format choice, the extent is 18.50% and 17.30% respectively. Other variables hold variance as well, monthly income 7.67%, Location 7.18%, Courtesy of staff 4.50% and price has 1.6% variance related to store format choice. So product variety and store atmosphere are the most influential variables in explaining the response of consumers to store format choice.

3.10 Logistic Regression

To run a logistic regression first the potential threats of multicollinearity were checked. If the variables are safe from the potential threats of multicollinearity, then the logistic regression model can be applied and run.

3.10.1 Multicollinearity

The concept of Multicollinearity (or collinearity) is used to express the situation when a high correlation is found between two or more predictive variables. Such high correlations lead to problems when trying to draw conclusions about the relative contribution of each predictor variable to the success of the model, the two most common measurements for multicollinearity are variance inflation factor (VIF) and tolerance (Hair, 2006). If the values of VIF are less than 10, then it shows no cause for concern and if the values of tolerance below 0.1, then it indicates a serious problem (Field, 2009). Multicollinearity can be calculated through the SPSS diagnostic test among variables with the help of variance inflation factors (VIF) and tolerance value. In this research there is no problem of multicollinearity because all independent variables were found to have above 0.2 tolerance value and VIF value is lower than 10 (see Table 9). The values of VIF and tolerance indicate that further proceeding towards logistic regression analysis can be made.

3.11 Logistic Model

As there was no issue of multicollinearity observed, the logistic regression analysis was also done for a given set of elements. The below mentioned model was used to analyze the factors impacting store format choice between traditional and modern store. The logistic regression model 1 is formulated as:

$$(a) \text{ Log (Store)} = \beta_0 + \beta_1 \text{ Family Size} + \beta_2 \text{ Age} + \beta_3 \text{ Gender}$$

$$(b) \beta_0 + \beta_1(\text{LOCATION}) + \beta_2(\text{PRVAR}) + \beta_3(\text{CoSTAFF}) + \beta_4(\text{PRICE}) + \beta_5(\text{SATMOS}) + \beta_6(\text{Family Size}) + \beta_7(\text{Monthly Income}) + \beta_8(\text{Age}) + \beta_8(\text{Gender})$$

Chapter 4

Results

The chapter focuses on the analysis of the data set collected to test the hypotheses. Furthermore, the significant variables relating to each retail store formats are identified.

4.1 Descriptive Statistics

The summary of the demographics of the respondents selected for the study are presented in Table 8. A sample size of 500 respondents was selected for this study. Out of which 29 were incomplete and hence inadmissible. The remaining 471 were possible to process.

The sample consisted of 264 female and 207 male adult customers. The dominant gender being female as they are more involved in the household grocery shopping in developing countries like Pakistan. The distribution of customers on the basis of age group came out to be 20-25 years (23.1 percent), 30 – 35 years (12.7 percent), 40 – 45 years (14.9 percent) and 45 and above years (28.9 percent). 78.3 percent of the respondents were ‘married’ and had a relatively large family, (i.e. having four to seven family members or dependents). The frequency of education levels among respondents was bachelors or graduates 38.4 percent and Master’s Degree holders 30.7 percent. The rest of the sample size belonged to lower education levels. Most of the customers were housewives and service employees. The majority of the customers had a monthly income ranges from Rs.30000 to over Rs.50000 (64.7 percent respondents). In terms of availability and ownership of personal transport, 26 percent of the customers owned a four-wheeler (car) and 34 percent owned two wheeler (motorbike). While 30.5 percent owned both a four wheeler as well as a two wheeler. Majority of the respondents from the sample preferred modern store formats i.e. 58.8 percent as their first choice for food and grocery shopping.

Table 8: The Demographic Profile of Respondents

Variables	Description	Frequency	Percentage
Gender	Male	207	43.9
	Female	264	56.1
Marital status	Single	102	21.7
	Married	369	78.3
Family size	0	6	1.3
	1	2	0.4
	2	13	2.8
	3	53	11.4
	4	77	16.3
	5	97	20.6
	6	89	18.9
	7	65	13.8
	8	33	7.0
	9	14	2.8
	10	10	2.1
	11	7	1.4
12	5	1.06	
Education	None	15	3.2
	Primary	9	1.9
	Middle	14	3.0
	Metric / Secondary School	59	12.6
	Intermediate	48	10.2
	Graduation	181	38.4

	Masters	145	30.7
Occupation	Housewife	177	37.6
	Entrepreneur	60	12.7
	Govt. or Private Service	154	32.7
	Student	80	17.0
Monthly income PKR	10000-20000	79	16.6
	20000-30000	87	18.5
	30000-40000	101	21.5
	40000-50000	101	21.5
	50000and above	103	21.8
Vehicles in family	Four- wheeler	122	26.0
	Two-wheeler	160	34.0
	Both two & four	144	30.5
	Not any	45	9.5
Store	Traditional	195	41.2
	Modern	276	58.8

4.2 Logistics Regression Analysis

A logistic regression analysis is carried out for identifying factors impacting the choices of traditional and modern grocery stores. The dependent variable for the study is recognized as the 'store format', whereas the independent or predictor variables identified are location, product variety, courtesy of staff, price, store atmosphere, monthly income. For the purpose of this study a few control variables (i.e. family size, age and gender) were also included based on earlier literature.

The logistic regression analysis was administered for 471 admissible responses. Table 10 below displays the statistical. The test result from model 1 (b) comes out to be quite significant i.e. chi- square = 210.356, df= 9, $p < 0.001$, thus indicating a good fit of the data into the model (See Appendix 3). This model accounted for 36.3% to 48.9% of the variance in store format choice.

Table 10 shows the logistic coefficients (B), Wald statistics, and associated degree of freedom and Exp (B) values of each of the predictor variables. This table shows that out of the nine independent & control variables; six independent variables have highly significant impact on store format choice, whereas control variables are insignificant in impacting the store format choice. As we see in Table 9 for further verification of these control variables on dependent variables. The constructed model 1 (a) found that the R^2 is 1.1% and sign level of this model is 0.276, making this model an insignificant one. On the basis of the analysis of model 1 (a) values we can conclude that all control variables did not affect store format choice of respondents.

Table 9: Model 1(a) Logistic Regression Analysis with Control Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	Collinearity Statistic	
Step 1a							Tolerance	VIF
Family	-.044	.047	.888	1	.346	.957	.959	1.043
Age	.048	.049	.949	1	.330	1.049	.999	1.001
Gender	.289	.190	2.318	1	.128	1.335	.959	1.043
Constant	-.049	.414	.014	1	.906	.952		

Variable(s) entered on step 1: Family, Age, Gender.

Chi-Square (df=3)	3.866	Nagelkerke R2	.011
-2 log likelihood	629.030	Significance	0.276
Cox & Snell R2	.008	*P<0.05; ** P<0.01	

Table 10: Model 1(b) Logistic Regression Analysis Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	Collinearity Statistic	
Step 1a							Tolerance	VIF
LOCATION	-.716	.129	30.915	1	.000	.489	.974	1.027
PRVAR	.839	.148	32.221	1	.000	2.314	.719	1.390
CoSTAFF	.419	.132	10.002	1	.002	1.520	.856	1.168
PRICE	-.520	.130	16.066	1	.000	.594	.993	1.007
SATMOS	.644	.143	20.247	1	.000	1.905	.662	1.511
Family	-.094	.059	2.575	1	.109	.910	.952	1.050
Income	.366	.093	17.969	1	.000	1.485	.919	1.088
Age	.014	.065	.050	1	.823	1.015	.938	1.066
Gender	.408	.248	2.702	1	.100	1.504	.979	1.024
Constant	-3.303	.825	16.044	1	.000	.037		

Variable(s) entered on step 1: LOCATION, PRVAR, CoSTAFF, PRICE, SATMOS, Family, Income, Age, Gender.

Chi-Square (df=9)	210.356	Nagelkerke R2	.489
-2 log likelihood	422.540	Significance	0.000
Cox & Snell R2	.363	*P<0.05; ** P<0.01	

Now with the help of the regression results we can test our hypothesis which we formulated in chapter two. We can also investigate which independent variables included in the model contributed to the prediction of the dependent variable. For testing the hypotheses we will use the logistics coefficient beta β and Wald statistic. Furthermore, a comparison among the contribution of each independent variable with the help of β beta value shall be conducted.

H1: The more important staff courtesy is to the customers, the more likely they are to choose a modern store format than the traditional store format.

The results indicated that courtesy of staff (CoSTAFF) ($\beta = .419$, $p < 0.01$) had a positive and proportional relationship with the choice of store format choice. This means that customers who give importance to staff courtesy preferred to purchase from store formats that put higher emphasis on the trained and helpful staff. So the factor 'courtesy of staff' (CoSTAFF) positively and significantly contributed to consumer preference of modern store formats.

H2: The more concerned customers are with reasonable prices, the more likely they are to choose traditional store formats over modern store formats.

Findings with respect to the effect of Price ($\beta = -.520$, $p < 0.01$) show a negative and significant relationship indication, the more reasonable the prices offered the more people preferred to go to traditional stores. Hence the hypotheses two (H2) stands proved.

H3: The more customers prefer product variety, the more likely they are to choose a modern store format than the traditional store format.

The results showed that Product variety (PRVAR) ($\beta = .839$, $p < 0.01$) is the most significant factor contributing to customer preference regarding store format choices. The results also show that modern stores have an advantage over the traditional store due to large product variety available under one roof concept. In this sense, it can be said that the customers who

involve in the acquisition of multiple item brands, prefer modern store over traditional stores. Hence hypotheses stands accepted.

H4: The greater the perceived importance of store atmosphere is to customers, the more likely they are to choose modern store format than the traditional store format.

Store atmosphere variable is found to be the third highest significant variable ($\beta = .644$, $p < 0.01$) contributing to customer preferences in food and grocery store format choices. This positive significant relationship result shows that the customers who give importance to store atmosphere prefer to go to modern stores instead of traditional stores. Hence the hypotheses stands accepted.

H5: The more important store location convenience is to customers, the more likely they are to choose the traditional store formats than modern store format.

Location convenience is found to be second most significant variable ($\beta = -.716$, $p < 0.01$). The negative sign indicates that the more accessible the store or the closer the store is to the houses, the more people are likely to choose the traditional store format over the modern store. Hence hypotheses stands accepted.

H6: The higher the monthly income of customers is, the more likely they are to choose a modern store format than the traditional store format.

The result reveals monthly income to be the sixth highest significant factor ($\beta = .366$, $p < 0.01$) on customer preference regarding store format choice. The result indicates that the customers who have higher monthly income prefer to go to modern stores instead of the traditional store. Hence the hypothesis is proved.

According to model 1 (a) all control variables; family size, age and gender having $\beta = -.094$, $\beta = .014$ and $\beta = .408$, $p > 0.05$ respectively, had an insignificant impact on store format choice between modern and traditional store. The overall table 10, shows that product variety is the most important factor, location is the second most important, store atmosphere is the third, price is the fourth, courtesy of staff is the fifth and monthly income is the sixth significant important factor on consumer preference between traditional and modern store format choice.

Chapter 5

Discussion

This chapter reviews the research results in light of previous literature and theories.. Comparisons highlight similarities and inconsistency between current and earlier results. Furthermore, some possible explanations for such contradictions will be suggested and discussed.

5.1 Discussion

The results and hypothesis testing showed that six independent variables including: courtesy of staff, price, product variety, store atmosphere, location, monthly income had significant impact on the format choice decision of the consumers. The aim of this research was to identify the factors affecting the store format choice and which factors carry greater impact on store format choice among Pakistani consumers.

In general, it was observed that traditional retail formats even though still having a noteworthy presence in the wider retailing environment, the modern stores are becoming more popular among the customers. This is because of several different reasons explained below.

The first variable that was identified was courtesy of staff. The results proved this variable has positive significant relationship with retail store format choice. In the context of Pakistan, customers prefer store employees to help them select good products while they shop in the modern stores. The more informed staff means that they are committed to their job and hence to consumers. This makes consumers feel confident in taking their advice. The findings for this research were also supported through earlier discoveries by Arnold (2000), Abu (2004) and particularly backed by the findings of Zameer & Mukherjee (2011). Zameer &

Mukherjee (2011) said that if customers were more inclined towards staff courtesy, they will choose modern stores because, that sometimes, due to huge product variety and large shelf lines, customers face problems in finding and selecting the right products. Hence, the customers often turn to the store staff for assistance in locating and picking the right product. Similar results were found in this research as well (i.e. good service from the employees is highly appreciated by consumers and causes repeat visits). On the other hand, the previous studies by Lina Salim (2009) and Muzondo and Mutandwa (2011) found no substantial relations between staff courtesy and retail format choice. This was supported by the fact that in modern stores the products are set up in larger and visible isles, people have easy mobility and may pick & choose products on their own, so there may not be the need to involve the staff in any way. Nevertheless, as mentioned earlier with reference to the Pakistani consumers this variable had a positive and noticeable impact on the modern store format choices. This might also be linked to some level with the cultural preferences of consumers, as Pakistan is a highly collective society; where people tend to indulge in face-to face communication and assisting others.

The second substantial variable to impact store format preference was reasonable price. This was supported in previous studies by Bhatnagar & Ratchford (2004), Yilmaz et al., (2007), Muzondo and Mutandwa (2001), Mittal & Prashar (2011), Dalwadi et al., (2010) and Zameer & Mukherjee (2011). They found that price is the most important factor that influences customers choice patterns; especially for the purchase of food and grocery items from different stores. This is so because these are daily usage items and are required readily when perished. The research findings suggested that prices are perceived as more reasonable in traditional stores. The reason may be that the people save their time and the transportation costs when purchasing from a traditional store. According to the prior study by Zameer & Mukherjee (2011) done for the Indian consumers, the majority of the customers perceived

that prices tend to be higher in modern stores as compare to traditional ones. This perception also holds true in the mind of Pakistani customers. The reason may be that the traditional stores have a low variety in products and possess very strong bonds with the manufacturers and wholesalers because of their longer period of existence. So they might get more discounted deals for products and can further transfer the benefits to consumers. The contradiction to this may be that modern stores due to their large size may also get discounts from the wholesalers. However, for the current research this was not the case for retail format choice decision.

The third variable, which also appears to be the most influential on the store format choice, was product variety. The research results found that the product variety has a positive significant relationship with a store format choice especially for modern store formats. This finding was supported by earlier studies of Huddleston, Whipple, & VanAuken (2004), Martension (2007) and Zameer & Mukherjee (2011). As modern stores offer different product varieties, more product options, and more choices as compared to traditional stores, they seem more attractive and convenient in eyes of the consumers. In such stores, customers can easily choose from a larger pool of alternatives, not just from different brands but also from product substitutes and supplementary products. On the other hand, a study by Dalwadi et al., (2010) found that product variety has no major impact on customer perceptions of organized retail stores. That study was conducted in Ahmedabad, India, and results concluded that consumers there were more inclined to base their decisions on the basis of store attributes, including layout, promotional schemes and convenient shopping therefore Product range or variety was not much of an influencer. However, for this particular research the results with respect to the Pakistani consumers proved that the product variety is the most dominant and influential factor affecting the retail format choice decision. In this sense one

can argue that layout, promotional schemes and convenient shopping are all affected by product variety and may be variety has indirect rather than direct effect via these elements.

The fourth variable was identified as “store atmosphere”. The results stated that consumers who express higher importance of store atmosphere preferred to shop from modern stores rather than traditional store formats. Prior studies by Thang & Tan (2003), Zameer & Mukherjee (2011) and Materson (2007) have also supported this claim. They found that the majority of the customers believed that modern stores were well equipped with proper lighting and ease in mobility inside. This enhanced the buying experience by aiding comfort in locating, comparison and selection of goods. Furthermore, sanitation is very important for human beings in general. It stimulates a sense of wellbeing and relaxing the concerns of the consumer. People hesitate for visit dark dingy and dirty locations generally, similar is true for shopping purposes, especially when it comes to food purchase. The neatness and cleanliness inside the store also enhances the feeling that the products being sold are fresh, healthy and reliable.

The fifth variable having an impact on store format choice between traditional and modern store was identified as location convenience. The results showed that consumers who were highly sensitive toward the location of the store favored to shop from traditional formats than in modern ones, as the former are usually situated very near to their residential areas. Previous studies by Zameer & Mukherjee (2011), Cherukuri Jayasankara Prasad (2011), Thenmozni & Dhanapal (2011), Huddleston et al., (2004) and Thang & Tan (2003) have also supported this claim. They said that the majority of customers preferred to shop in a store which is closer to their households. Usually, the modern stores were more distant to reach than traditional stores, and on a number of occasions these are actually located nearly out of town. Zameer & Mukherjee (2011) also believed that a majority of housewives chose to buy

the daily grocery items in stores that are situated near to households. This also means the return or exchange of items that are purchased easier.

The sixth influential variable noted was monthly income. As per the hypothesis higher the monthly income, the more likely customers are to prefer modern store format than traditional stores. The support for the finding can again be found in the previous studies by Mirza (2010), Cherukuri Jayasankara Prasad (2011) and Bhatnagar & Ratchford (2004). All the mentioned studies have been conducted specifically in the context of developing countries. Developing countries are more likely to be poverty stricken and the monthly income of individuals is the biggest decision making factor. However, as for this research on the retail format choice, it is found to be the least influential factor. The reason for this may be that most of the people have to buy the daily necessities of life, (i.e. food items like milk, bread, staples etc). Selection of format on the basis of income only matters more for the people who afford to buy more than just the basic necessities (i.e. complementary items). Majority of people residing in the developing countries, like Pakistan and India, have a strong desire to not only improve the living standards, but also to improve the quality of household purchases. This is why people with better income prospects have started switching to modern stores to get better and higher quality products to improve their quality of life.

Surprisingly the remaining control variables selected for research, namely age, gender and family size had no effect on retail format preferences. An explanation can be that all reflect different income levels.

The overall results of the research are summarized in the following table 11. The table lists the variables in their order of significance in terms of their impact on the retail format choice. It also indicates which variables influences favorable perceptions of each format.

Table 11: Summary of results

		DEPENDENT VARIABLE	
		<i>Modern</i>	<i>Traditional</i>
INDEPENDENT VARIABLES	Product variety	✓	
	Location		✓
	Store Atmosphere	✓	
	Price		✓
	Courtesy of Staff	✓	
	Income	✓	

It shows that the product variety, courtesy of staff, store atmosphere and Income positively effects the preference for modern stores. Firstly, product variety, store atmosphere and courtesy of staff are related to preference of modern store formats. The fourth variable affecting the modern store format selection is income. In most of the developing countries, and also in Pakistan, the income distribution is widely unequal. A very important issue to be noted here is that a person earning Rs.10k will only have money enough to fulfill the general basic needs. People at that income level are not really looking at the store formats and are not specifically concerned with product variety or courteous staff and store atmosphere. The majority (67.4%) of the respondents for this research came out to be from the income level group of Rs.30k or higher. It is a medium to high income level, and such people are in a position to reflect upon and be affected by the different retail formats. The study showed that the higher the income level, the better the chances to select the modern stores.

On the other hand, the Location and relative Price variables were found to lead to a preference of the traditional stores. Here, it is worth noting that the culture prevailing in Pakistan is highly traditional, collective and family oriented. This is important since, as in the old-fashioned manner of living, the women of the house are in charge of grocery shopping and prefer not to go far away from the home. This is clearly noticeable by the fact that location and price both favor the traditional formats as such stores normally exist in the local vicinities, quite near the residential areas.

Chapter 6

Conclusion

This chapter focuses on the results and conclusions of the research its, implications and limitations.

6.1 Conclusion

The aim for conducting this research was identifying the important factors affecting the consumer behavior in terms of retail store format choice between traditional and modern stores in the context of Pakistan. While similar studies have been conducted in similar settings (i.e. developing countries in Asia) no data was available for Pakistani consumers in particular. Furthermore, it was widely noted that the retail setting in Pakistan is rapidly changing to a more developed, organized and large scale manner.

The research conducted looked at the previous literature and established a base for analyzing the consumer choice of retail formats. The hypotheses were tested on data collection from for the local consumers. The present findings revealed that several factors, including location convenience, product variety, reasonable prices, courtesy of staff, store atmosphere and family monthly income have a significant impact on food and grocery store format choice between traditional and modern store. Furthermore, family size, age and gender of the consumers were found to have no impact on retail store format selection.

The other objective of the research was to further identify the most favorable variables from the list mentioned above for modern and traditional stores respectively. In this regard, the findings revealed that product variety, store atmosphere, monthly income and courtesy of staff were highly significant motivators for the choice of modern food and grocery store format. Moreover, location convenience and reasonable prices were significant promoters of the choice of traditional food and grocery store format.

6.2 Contribution of the Study

This research is first to study the consumer behavior in the retail format choice selection between modern and traditional format in the context of Pakistan. Prior studies done with reference to Pakistan did not look into this specific issue. This research is about customer preferences in the setting of a developing country with increasing competition in the retail market. It focuses on the economy where the retail industry is not yet fully modernized, and emphasizes on how the small and large players differ. This research contributes to the literature analyzing the factors which are affecting retail store formats choices. It also contributes to the retail marketing literature for understanding consumers perceptions in markets where the retail industry shifts from traditional way of retailing to modernization. More specifically the empirical findings of this study contribute to the understanding of retail format choices in the context of the Pakistani retailing environment.

6.3 Implications of the Study

The current research puts forth some useful insights in the field of retailing and consumer behavior in general and behavioral preferences and decision making for traditional and modern store formats in Pakistan in particular. If reviewed carefully it provides a clear insight for the retailers to understand and adapt to the customers' needs and preferences. The world of retailing revolves around gathering information and making calculated decisions regarding consumer preferences and choices. It is important for the retailers to know consumer preferences and decision process, how they behave before and after purchase and what factors influence them to visit the store repeatedly. This allows the retailers to introduce strategies to attract more consumers and increase sales.

This study has identified several profitable avenues for the retailers; traditional and modern.

The research finding shows that location convenience has an advantage for traditional stores over modern one. However, this is not a competitive advantage for the traditional stores and

may not be sustainable in the long run. The reason being is that location is an acquirable aspect of business. The modern stores may be able to enter the residential areas. Furthermore, modern stores may look at it as a promising prospect to venture into residential areas to enhance business. They can use the approach of franchising smaller stores or may enter directly by opening smaller outlets in the residential areas.

From the results discussed in the previous chapter it is clear that the consumer preference in Pakistan is rapidly shifting towards the modern stores. The reasons identified are the high product variety, store atmosphere and the courteous staff. The income also has an impact but that is only for the ones earning medium to high income levels, the low income group is not affected by the store format. These observations give rise to possibilities for the modern stores to increase their business by improving the already existing characteristics. The modern stores are in a better position to offer attractive deals by offerings grouped complementary products to customers. The Pakistani consumers are noted to be affected by the quality and variety of products. Sales offers such as buy one get one free or conditioner free with the purchase of two bottles of shampoo are more likely to attract consumers for repeated visit. Modern store outlets in Pakistan; even though better organized and managed than the traditional ones, still have a lot of room for improvement. The store atmosphere provides a huge opportunity for the modern stores to engage and attract consumers. Better ambiance combined with good courteous employees can build a much better image of the store in consumers' minds. Furthermore, instead of choosing far off locations to build and operate, modern store formats can also be implemented in the smaller formats.

It is clear that from the findings that both formats have some advantages over the other. In order to gain profit for the long term both, types of formats need improvements in their business operations and need to review their retailing business strategies. For example, modern store retailers should focus on the location factor when they open new outlets

because people may not have readily available means of transportation in Pakistan. Possession of personal cars is a common trend nowadays, but still people prefer to shop in stores situated near households. Price is another factor that can be adapted in the store's favor. In general, it was found that consumers perceive modern stores offering similar prices as traditional stores. This can be transformed favorably by modern retailers as mentioned above. The offering of attractive deals can also be actively employed by offering competitive prices to consumers when buying grocery for the month on wholesale rates. Such approach will fill Pakistani preferences for shopping at the beginning of month and rationing through it.

Overall findings revealed that majority of customers' preferred modern food and grocery store formats indicating a bright future for modern store formats in the retailing domain of Pakistan. Traditional Retailers are forced to modernize for survival. If they want to modernize, then they need to find alternative ways. They cannot fight on the location or on the price. They need to find something else. One potential thing could be specialization or niche products as well as improvement of staff courtesy.

Finally, the managerial implications of this study will help both traditional and modern food and grocery retailers to frame their business strategies and reposition themselves to face new competition and retain or improve their existing potential by attracting more potential customers.

6.4 Limitations of the Study

The current study has some limitations that can be addressed in future research. Firstly, it is only focused on the food and grocery retail store formats in Lahore city. Future research should include other metropolitan cities of Pakistan like, Islamabad. Karachi, Peshawar,

Multan, Faisalabad, Hyderabad etc. Furthermore, to understand the entire scenario of consumer behavior in Pakistan not only food and grocery store formats but other non-food stores or items in stores should be studied for better generalizations of the findings.

This study considered only six variables to predict consumer preferences of traditional and modern food and grocery formats. Future research may include more variables from the demographic, psychographic, geographic and cultural points of view. These dimensions would help retailers to develop an effective retail marketing strategy to meet the needs of their target customers, as well as to reveal improved models of consumer choices.

The data collection and sample size was restricted to 500 consumers only. There may be a chance of biased responses since data was collected during daytime only. This bias may be reflecting the fact that working individuals are less available during the official working hours and may have different opinions regarding store format selection.

In conclusion, the retailing scene in Pakistan is changing swiftly towards modernized stores. This is due to the accelerated speed of globalization and flow of information. Similarly, the consumers are also changing, becoming more knowledgeable and involved in their decisions. There are several internal and external factors affecting the preferences and choices of the consumers and retailers today need to speed up their efforts to maximize consumer loyalty which in turn transforms into better and enhanced profitability. Traditional formats need to modernize in improving the variety via specialization and better staff courtesy, modern formats may grow further by extending operations to residential areas and smaller shops.

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Appendices:

Appendix 1 Questionnaire

Customer Retail Format Choice b/w Traditional and Modern Stores while buying FMCG.

I request you to please spare some time and fill up this questionnaire it would appreciate if you please give your feedback through this survey.

I. Respondent Details:

Area: _____ Name: _____ Age: _____ Gender: _____

Marital Status: _____ Family size: _____ Education: _____

Occupation	Monthly Income	Vehicles in Family
Housewife	PKR 10000-20000	four- Wheeler
Entrepreneur	PKR 20000 – 30000	Two- Wheeler
Service	PKR 30000 – 40000	Both two & Four Wheeler
Student	PKR 40000 – 50000	Not any
	PKR 50000and above	

II. Where do you prefer to do your food & grocery shopping? Traditional Store

OR Modern Store..... .

Score

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Product Variety	1	2	3	4	5
This store keeps product variety in sufficient stock.					
This store keeps product variety of high quality.					
This store keeps multi brands and products variety.					
Price					
At this store prices are with beneficial discount offers.					

At this store prices are reasonable compare to the quality.					
At this store low prices attract me.					
Courtesy of Staff					
At this store employees are prompt serving.					
At this store employees are helpful.					
At this store employees have product knowledge.					
At this store customers get individual attention.					
Store Atmosphere					
This store has spotless and bright lightings					
This store has clean and attractive.					
This store has display of merchandise as excellent.					
Location Convenience					
Location of this store is close to house.					
Easy transport availability to the store.					
I usually buy from the nearest store.					
I use my own vehicle to reach the store.					

Appendix 2 Case processing Summary

Unweighted Cases-a	N	Percentage
Selected Cases Included in Analysis	471	94.2
Missing Cases	29	5.8
Total	500	100
Unselected Cases	0	.0
Total	500	100.0

- a. If weight is in effect, see classification table for the total number of cases.

Appendix 3: Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step 1 Step	210,356	9	,000
Block	210,356	9	,000
Model	210,356	9	,000

Appendix 4: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	422,540a	,363	,489

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Appendix 5: Classification Table a

Observed	Predicted		% correct
	Where do you prefer to do your food & grocery shopping?		
Where do you prefer to do your food & grocery shopping?	Traditional Store	Modern Store	
	Traditional Store	Modern Store	
	140	55	71.8
	50	226	81.9
Overall Percentage			77.7

a. . The cut value is ,500