

Where to shop? The influence of store choice characteristics on retail market segmentation

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Abstract

Consumers have a choice of a range of different types of wine stores where they can buy wine. Previous segmentation has looked at demographics or store location as the drivers of segmentation. In this study, we use Best Worst Scaling (BWS) to identify the reasons consumers choose different stores to shop for wine. An analysis of the reasons for choice result in three distinct segments, which can be broadly correlated to the different positioning of the three store types in the market. These attributes of store choice are better able to identify useful segments than demographics or location alone.

Key words:

Best worse, store choice, wine

Topic areas:

Consumer buying and choice behaviour

The impact of distribution strategies on consumer preference

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Introduction

There is growing evidence from major wine consuming countries that large grocery and discount stores control most of the retail sales of wine (Euromonitor, 2008). At the same time, anecdotal evidence shows that some specialty stores and local wine convenience type stores are surviving and even prospering under these conditions. The objective of this paper is to understand what are the key factors that motivate a wine consumer to choose one type of retail wine store over another. This understanding should lead each type of retailer to better understand the needs of the consumers visiting his/her store, and use this knowledge to develop better retail policies.

Literature review and research questions

We know that consumers shop at different retail stores and that their patronage patterns fit the widely accepted NBD model (Uncles and Hammond 1995). This model predicts the occurrence of visits based on the size of the retailer, but does not look at the underlying reasons or influences on the store choice decision. The range of products the consumer purchased was examined but not the whole bundle of services the consumer is actually buying. These intangibles are 'valued' and purchased and affect the choice of where to shop (Morschett *et al.*, 2005). This '*shopping behavior is generally guided by consumer perception and not by objective reality*' (Morschett *et al.*, 2005, p.423), and the acceptance of a retail store is dependent to a large extent to which store satisfies the needs of a consumer at a particular time (Groppe, 1995) for a particular occasion of consumption. This points to the need to go beyond in-store purchasing behaviour when looking at store choice and examine the pre-store purchase decision. One of the issues is that different consumers choose the same store for different reasons and/or different stores for the same reasons (Morschett *et al.* 2005). This heterogeneity means that there is likely to be reason to segment the outcomes of measuring store choice.

Researchers have identified a number of factors influencing store choice. Morschett *et al.* (2005) summarise these to include product quality, assortment, 1-stop, price, speed and quality of service and the atmosphere of the in-store experience. They identify which attributes contribute to the store choice decision, but not why these attributes are or are not important. This is an important gap to investigate in order to ascertain the importance of the firm's size and offering in a period of rationalisation, where smaller stores are losing out to larger format ones (Sinha and Banerjee 2004). Meyer and Eagle (1982), Brooks *et al.* (2001) and Fotheringham (1988) hold that store choice is very much driven by location; hence large-scale retailers often focus on a geographic position strategy. Brooks *et al.* (2001) puts forward the idea that although location is amongst the most important driver of store choice, there are in fact 'trip chains' that give rise to effects like collocation and overall purpose. Research into store choice needs to consider not just location but relevance to other shopping, to home and the workplace.

Finn and Louviere (1996) found that low price and wide selection accounted for 86% of the variance in store choice. Amine and Cadenat (2003) pointed out that the importance of store attributes seem to be dependent on store format. Further research needs to examine the importance and tradeoffs consumers make in relation to the influencers of their choice. Sinha and Banerjee (2004) found that the higher the level of pre-purchase information the consumer has, the more likely they are to choose a specialty store. This infers the possibility of consumers with higher involvement forming a homogenous segment that would frequent and thus support a smaller, specialty store. Woodside *et al.* (1992) went further in noting that consumers had 'hot buttons' that helped them choose where to shop.

Given Brook *et al.*'s (2001) finding of attribute importance varying depending on the store format, it may be concluded that ultimately it is the bundle of benefits the consumer seeks to satisfy their need in a full service sense that is at work in store choice. There seems to be a gap for research that identifies homogenous

segments from the bundle of reasons for store choice. Westbrook and Black (1985) identified seven motives, or more accurately seven categories of store choice decisions, but there is no research as to how important they were in the decision, just that they are present in the data. Hallsworth (1991) found that patrons of different stores differ significantly on their patronage motives, suggesting that it is possible to segment using store format and the reasons behind the choice of a specific format. The possibility of segmenting using store format is supported further in that Morschett *et al.* (2005) point out that the orientation of the customer is linked to store attributes.

A further research question is if heterogeneous segments can be identified, what can we learn in relation to store formats? Are there segments whose influences on choice correlate to smaller format stores? Are the choices related to attributes offered by the smaller, specialised format retail outlets or are they simply 'convenience' related that could be met by other larger store types? Bhat and Fox (1996) discuss the possible effect of double jeopardy on retail formats. Double jeopardy relates to the problem of a smaller store having fewer customers and those customers visiting the store less often than the customers of the larger stores of the same type. They suggest that smaller retailers suffer from a triple jeopardy: as well as having fewer customers who 'like' the store less, their customers also spend less money when they do visit. It is therefore important to understand if customers patronize smaller format retailers for a specific reason, or if it just happens to be a convenience or location effect.

Method

The wine retailing structure in Australia offers a 'perfect' case for this research. Supermarkets can't sell wine (or any other alcohol) by law in their outlets. This generates a wine retail competition with three big categories of wine store: a 'category killer' type of wine store at one extreme, offering thousands of SKUs; specialty wine stores at the other extreme, offering a few hundred to a thousand items often of smaller producers with supposedly more knowledgeable service, and convenience types of wine store in the middle of the spectrum with mainly the most well-known brands, but longer opening hours and drive-in locations.

The reasons tested to explain why consumers choose a specific store for wine have been extracted from a range of papers: Lockshin & Kahrmanis (1998), Batt & Dean (2000), Black *et al.* (2002), Gehrt & Yan (2004), Boehm & Gensler (2006), Hall & Lockshin (1999), Hall, O'Mahony & Lockshin (2001). We firstly selected 15 attributes that might have explained why consumers choose a specific wine store. Following a pre-test, a new version was designed with only 13 attributes. These attributes refer to two types of location-based convenience (Brooks *et al.* 2001): Close to my home or my work, Close to my shopping area; plus other types of convenience: Car parking, Ease of finding wine within the store; Price (Finn and Louviere 1996) and price promotion: A special advertised by the store, Prices lower than other shops; customer service: Good customer service, Regular wine tastings, Good Wine knowledge; wine range (assortment): Large selection of wines below \$15.00, Large selection of wines above \$15.00, Sells rare wines, Large range of beers and/or spirits.

These 13 attributes, or choice influencers, were developed into a Best-Worse choice experiment using a balanced incomplete block design (BIBD) to insure that each attribute appeared an equal number of times across the experiment and equally with each other attribute. The Best-Worse method avoids possible scale bias of response styles and cultural issues of always choosing items in the same position (Finn and Louviere 1992). Respondents at a range of wine stores were asked, 'I chose this store today to buy my wine because...?' and instructed in each of the tables, to indicate the one factor that MOST (Best) and the one that LEAST (Worst) influenced their decision to shop. Each table had four attributes and each attribute appeared four times overall. The data was analysed, by counting the total number of times each attribute is mentioned as 'least' and subtracting that from the number of times it is mentioned as 'most', leaving a score which is then standardized to enable samples with different numbers of respondents to be compared. The results are referred to as a 'level of importance' and are converted to a 0-100 scale, which represents the probability of each attribute being chosen as the most important (Cohen, 2009). Each attribute has a coefficient, which is a ratio-level representation of its value to the consumer. The nature of the method and

resulting analysis means the numerical score is not just a rank order, but shows the degree of preference and can be compared between retail formats to indicate similarities and differences.

Participants were selected only if they were buying wine at the specific store. Date and time of the interview were regularly changed in order to meet a large number of people at different times. The questionnaires were self-completion, but a trained researcher was there to answer questions. Respondents were randomly selected based on every third person purchasing wine. In total, 328 valid responses were collected in 3 different types of Australian wine stores. Totals included: 139 interviews in 3 different outlets of the category killer type of wine store, 134 interviews in 3 different outlets of the proximity / convenience type of wine store, and 55 interviews in two different specialty wine stores.

In total, 57% of the people we interviewed are male and 43% female. Most of the interviewees were middle age, with 38% of the sample being between 25 and 40 years old, and 32% of the sample between 41 and 55 years old. The income distribution of the sample was very good with 16.5% of the respondents earning \$35,000 or less a year; 18% earning between \$36,000 and \$50,000; 25% earning between \$51,000 and \$80,000; 12% earning between \$81,000 and \$100,000; and the remaining sample earning more than \$100,000. When asking the respondents the structure of their household, 14% said that they were living by themselves; 50% said that two people was living in the household, and 37% more than two people.

Results

Overall, the most important influence on the decision for a wine consumer to choose a wine store is the attribute 'close to my home or my work' (with a standardized score of 100), indicating that wine consumers mainly go to a specific store because its location is convenient. The second most important driver, with a score of 77, is 'good customer service', followed by competitive prices with a score of 67, and 60 for 'prices lower than other shops and 'large selection of wines below \$15.00'. The least important influences are 'a special advertised by the store' and 'sells rare wines'.

We ran a series of ANOVAs with each independent variable (Table 1) to see if the store choice attributes differed in importance: consumption frequency, wine shopping frequency, loyalty to a store, type of store, wine involvement, average price paid for a bottle of wine for regular consumption, average price paid for a bottle of wine for a special occasion, gender, age, and income. Table 1 highlights, for each variable, the attributes for which the Best Worst score is significantly different at the 1% level of confidence.

Table 1: Significant attributes for each variable

	Wine store type	Drink freq.	Shop freq.	Store loyalty	Wine involvement	Price (...) for regular consumption	Price (...) for a special occasion	Gender	Age	Income
Close to home or work	?		?				?	?	?	
Prices lower than other shops	?			?		?	?		?	
Large selection <\$15	?					?	?			?
Close to my shopping area	?				?			?	?	
Large selection >\$15			?			?				

Ease of finding wine within store	?									
Good customer service	?					?	?			
Regular wine tasting	?	?			?			?		
Sells rare wine	?				?	?	?			
A special advertised by the store										
Good wine knowledge	?				?	?	?			?
Large range beers &/or spirits	?	?	?							?
Car Parking							?			

We then looked at the score for the attributes by type of wine store. The most important reason for wine shoppers to choose a specific wine store is different for the category killer, the convenience / proximity store and the specialty type of store. Table 1 shows that only 3 attributes (out of 13) do not differ statistically among the responses for each store format: ‘large selection of wines above \$15’, ‘a special advertised by the store’, and ‘car parking’. All other variables, including demographics, do not influence the decision as much as the type of store does. The price point of the wine (for two different consumption occasions) also great influences many of the attributes, more than standard demographics of age, gender and income.

These findings also suggest that there is no specific segment of the population that better explains the influencers of wine store choice compared to another; wine store choice is not dependent on the age, gender, income, or consumption behaviour of the consumer, but appears to be more in line with the broad positioning of the type of store. We used a spider plot to illustrate the differences in store type (Figure 1). Wine consumers visit to the category killer wine store mostly because prices are lower compared to the prices of other wine stores (standardized and converted score of 100). This argument is reinforced by the second reason, which is ‘large selection of wines below \$15’ with a score above 60. ‘Close to my home or my work’ is at the third position in this scale with a score less than half as important as the score of the whole sample. Wine consumers do not expect to purchase rare wines in this kind of store. Surprisingly, specials advertised by the store do not appear important when choosing such a store, just its low price positioning and wine assortment.

Wine consumers visit proximity / convenience stores mostly because it is ‘close to my home or my work’. This argument is reinforced by the second reason, which is ‘close to my shopping area’, even if this feature does not statistically differ with the third most important feature, which is ‘good customer service’. For these customers, the least important reasons explaining why they came into these specific stores are ‘a special advertised by the store’ and ‘sell rare wines’.

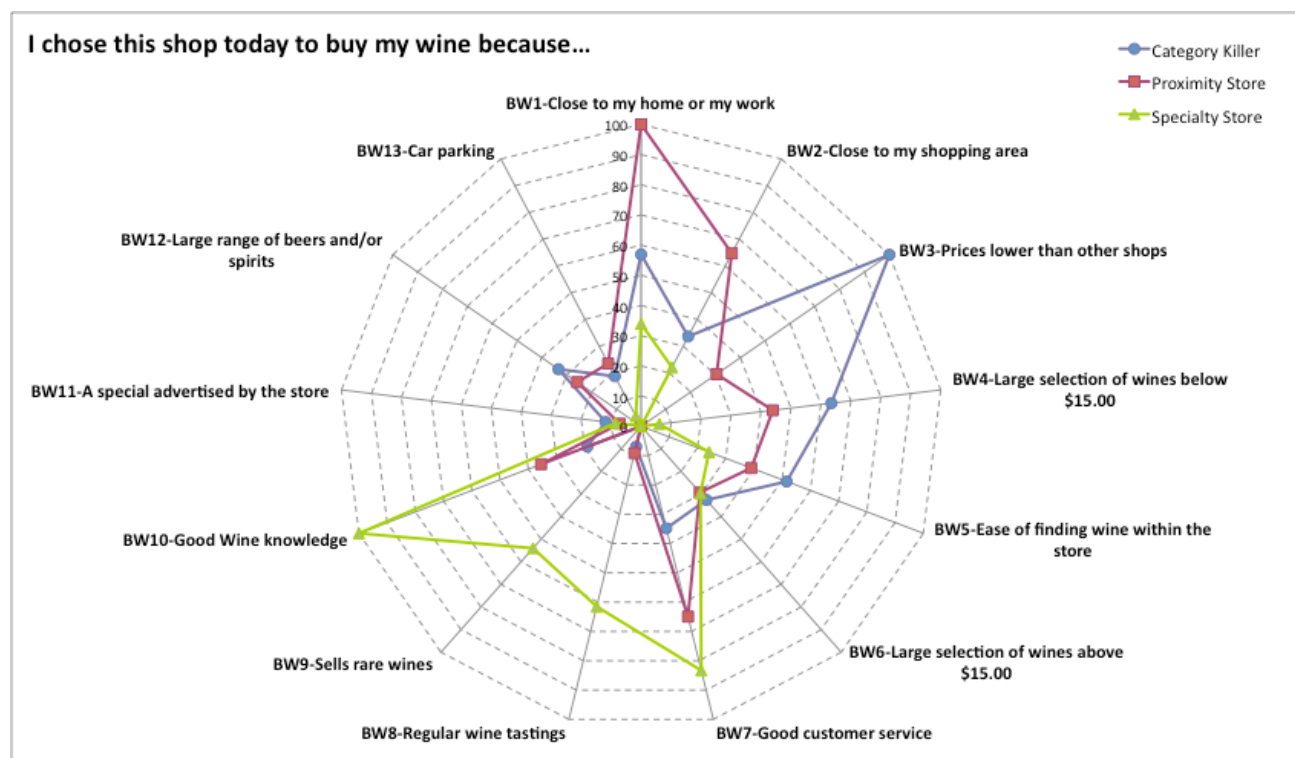
Wine consumers shop at specialty stores mostly because of the wine knowledge of the owner / manager / staff members and the service they can offer (a LSD analysis shows that these two attributes do not differ statistically from each other). These two features generated a score of 100 and 83, respectively. ‘Regular wine tasting’ and ‘sell rare wines’ contribute to attracting customers in these stores. At the other end of the scale, ‘low prices’ and ‘large selection of beers/spirits’ are the least important reasons for the respondents to visit these stores.

Conclusion

The Best-Worse choice approach used in this research has enabled an investigation of the benefits sought by consumers in the retail store they choose to patronize. The key contributions are twofold, firstly, that the method offers much to researchers seeking to investigate decision influences, and secondly that when examining store choice from the consumer perspective it is possible to demonstrate that the type, or format of the store may be a better segmentation tool for the market than traditional segmentation variables such as age, gender and income. This is an area for confirmatory research.

Further research could identify and map choice influencers that represent 'sought benefits', which would offer much to the understanding of the structure and positioning of the retail sector – for researchers and practitioners alike. Further investigation should also look at the occasion of consumption the purchase was related to. By asking respondents what was the purpose of their purchase (daily consumption vs. special occasion vs. to age), we can estimate the extent the expected usage of the wine to be purchased drives wine store choice.

Figure 1: Reasons explaining wine store choice



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