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A Consumer Perspective on Grocery Retailers' Differentiation

Silvia Bellini[1] & Maria Grazia Cardinali[1]

[1] Department of Economics, University of Parma, Parma, Italy

Correspondence: Silvia Bellini, Department of Economics, University of Parma, 43125 Parma, Italy. Tel. 39-0521-032-416. E-mail: silvia.bellini@unipr.it

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Abstract

Increasing competition in the Italian grocery market is pressing retailers to search for new ways to differentiate themselves and gain a better competitive position in the mind of consumers. In this scenario, we intend to explore consumers' perception of grocery retailers in order to understand which store attributes consumers consider to be most important when choosing where to shop and which store attributes consumers perceive different between retail store formats and between grocery retailers. Our findings show that consumers do not perceive great differences neither among retail store formats, nor among grocery retailers. Even if they recognize structural differences among retail store formats, they perceive a growing similarity between them in terms of meeting shopping needs. Moreover, only few retailers are perceived as highly differentiated in managing the retail mix levers. Our work provides grocery retailers a specific knowledge of the attributes that consumers consider to be most important when making grocery store choice and suggests retailers which levers they should manage in order to be perceived differentiated from competitors, achieve a sustainable competitive advantage and consolidate their position in the market.

Keywords: store choice, store format choice, differentiation, shopper behavior

1. Introduction

The economic recession and the fundamental shifts in consumer needs have generated significant changes on the retail food landscape in the Italian market. The structure of the retail industry is evolving: according to recent trade reports, small and medium size retail store formats (i.e. convenience store, small/medium sizes supermarkets and discounts) are consistently outperforming large scale formats (i.e. large supermarkets and hypermarkets). Marketing strategies are changing too. Grocery retailers are developing new store formats aimed to capture the competitor's customers and expand their target market: discounters are improving the quality of the services to compete with the supermarkets, while supermarkets and hypermarkets are developing lower pricing policies to compete with discounters.

The emergence of these "hybrid" store formats has radically modified the competitive landscape of the sector, with significant implications for all channel relationships: it affects horizontal competition between retailers, commercial relationships between retailers and manufacturers and last, but not least, consumers' decision-making on purchasing.

Firstly, competition in Italian grocery retailing has reached an unprecedented level of complexity: while in the past it took place within the same retail format, today the competition affects also different retail formats. Supermarkets do not compete only with other supermarkets (intraformat competition), but also with discounts or convenience stores (interformat competition). Only recently some authors have started to recognize this new competition dimension (Lugli, 2004; Gonzales-Benito et al., 2005; Cummins et al., 2008; Findlay & Sparks, 2008; Reutterer & Teller, 2009) arguing that there is an increasing use of multiple stores and formats since they offer different opportunities to satisfy bundles of wants and needs, depending on the shopping occasion. According to the most recent contributions (Cardinali & Bellini, 2014), the interformat competition is becoming more intense than the intraformat competition.

In light of the growing competition among different retail store formats, industrial companies should review the allocation of their budgets on customer/channel. So far, the trade marketing budget has been allocated according to the retail store formats, since they were highly differentiated. Today, the increasing standardization and convergence among retail formats makes this practice ineffective and suggest manufacturers to find new criteria for segmenting retailers.

Finally, convergence affects retail patronage, since consumers are changing the way to use various grocery retail formats to satisfy their needs and wants. Even if store choice and store patronage have been widely studied across the world, there is still vast scope for research and analysis in front of a retailing environment that changes rapidly, leading to change shopper expectations and realignment of the choice set of stores. In the Italian market this phenomenon is gaining a greater importance since the hybrid store formats are providing new options to shop for the consumer.

Today consumers have a wide choice of stores and retail formats where they can choose to shop. In such scenario, it is important for retailers to better understand which levers are most effective for gaining store patronage and reducing consumers' mobility among grocery stores.

Gaining competitive advantage in retailing requires a deep knowledge of the attributes consumers use to evaluate stores and a proper understanding of why these attributes are important (Mitchell & Kiral, 1998). Although there is a considerable body of literature about store choice and store patronage, changes in retail landscape make the pattern of store choice more complex than in the past and the previous assumptions no longer applicable to the Italian context.

Starting from these observations, our work explores consumers' perception of grocery retailers in order to identify which store attributes consumers perceive different between grocery stores and which attributes consumers consider to be most important when choosing where to shop. Our purpose is to suggest grocery retailers new ways to differentiate themselves and achieve a better competitive position in the minds of consumers.

2. Literature Review

Store choice and retail format choice have been widely studied in the literature.

Store choice is recognised as a cognitive process where information play an important role as any other purchase decision (Sinha & Banerjee, 2004). Store choice behaviour shoppers share many similarities with brand choice, except for the spatial dimension: while brand choice is devoid of any geography, the choice of a store is very much influenced by location (Fotheringham, 1988; Meyer & Eagle, 1982).

Store choice is a dynamic decision (Leszczyc & Sinha, 2000) and could be conceptualized as a problem of deciding when and where to shop. This decision depends on different dimensions regarding shopping experience and store attributes.

On one hand, store choice has been found dependent on the level of pre-purchase information regarding the brand (Dash et al., 1976), the role of ambience (Kotler, 1973), the quality of the shopping experience (Treblanche, 1999), the type of shopping task (Kenhove et al., 1999). In particularly, according to Kenhove et al. (1999), store choice is differentiated by the nature of the task, which means that store choice depends on the goals set by the shoppers to resolve the needs derived out of a specific situation such as urgent purchase, large quantities, regular purchase, etc. Store choice is also dependent on the timing of shopping trips as consumers may go to a local store for short "fill-in" trips and to a more distant grocery store for regular shopping trips (Kahn & Schmittlein, 1988).

On the other hand, store choice has been found dependent on some store attributes such as price image perception (Hansen & Singh, 2009), breadth and depth of assortment (Briesch, Chintagunta, & Fox, 2009), location convenience (Huff, 1964), the ability to do one-stop shopping (Messinger & Narasimhan, 1997), and store service, an important element in store positioning (Lal & Rao, 1997).

A broad conclusion about store choice behaviour among consumers indicates that image and perceptions have significant impact on the final outcome (Sinah & Banerjee, 2004). In literature, store image has been studied as an important antecedent of store preference (Thang & Tan, 2003), consumer satisfaction (Martenson, 2007), the frequency of store visits (Pan & Zinkhan, 2006), shopping trips, shopping expenditure and store loyalty (Arnold et al., 1983). Store image is an important means of managing store positioning (Birtwistle et al., 1999, Uusitalo, 2001), particularly under current competitive conditions.

The relationship between store attributes and retail format choice is also examined in the literature (Carpenter & Moore, 2006). Previous studies have shown that product assortment, availability, convenience and pricing are significant drivers of format choice (Taylor, 2003). Hansen and Solgaard (2004) identified the product assortment as the single most influential variable affecting the choice of retail formats across three formats: discount stores, hypermarkets and conventional supermarkets. In addition, price level and location appeared to be influential factors in terms of retail format choice. Quality and service, otherwise, did not appear to be influential across the formats.

While these contributions assert that the grocery industry is strongly driven by competitiveness, other authors have reached different results. Fox et al. (2004) identified frequency of store promotion efforts and product assortment related factors to be highly influential on format choice in the grocery sector. Interestingly, price was shown to be less influential. Carpenter and Moore (2006) suggest that product selection and courtesy of personnel are also very important in determining format choice. According to their study of the Usa grocery retailing industry, cleanliness was the most important attribute regardless format choice. Surprisingly, price competitiveness did not rank among the top five attributes for occasional shoppers in the supercentre format or the specialty grocery format and ranked only fifth among these shoppers for the warehouse format.

Finally, Fox et al. (2004) provides important findings relevant to our research since they starts to recognize a similarity among different store formats and a less differentiation among them. This study states that trips to mass merchandisers are not necessarily replacing trips to the supermarket since frequent shoppers of mass merchandisers were also frequent shoppers of other formats (e.g. supermarkets).

The frequency of cross shopping behaviours among consumers highlights the importance of examining retail format choice. Given the evolving retail industry and the growing similarities between store formats, in fact, the pattern of store choice has become more complex than in the past and the previous assumptions may no longer be applicable to the Italian context. According to our previous study, in fact, supermarkets, convenience stores and hypermarkets are becoming similar in terms of layout, promotion and pricing policy, range of value items and services (Cardinali & Bellini, 2014). The increasing convergence among different retail formats and the trend to develop “hybrid” store formats are providing new options to shop for the consumer.

In this new context both retailers and shoppers are currently in an evaluation phase where it is not clear what may drive the choice of store in the longer term what are the levers to manage in order to be chosen and to be preferred from competitors.

3. Research Aims and Methodology

Our research explores the consumers’ perception of grocery retailers in order to understand which shopping needs drive the consumers’ choice of grocery stores and which store attributes consumers perceive different between retail store formats and grocery retailers. In particular, our work starts from the following research questions:

Q1. Which shopping needs drive the consumers’ choice of grocery stores?

Q2. Which perception consumers have about retail store formats in terms of meeting shopping needs?

Q3. Which perception consumers have about grocery retailers?

Q4. Which are the store attributes that support the retailers’ differentiation?

In order to pursue these goals, this study used a two-stage approach to collect the data. Firstly, we carried out an empirical research based on the focus group method aimed to explore consumer experience with grocery stores (Q1) and retail store formats (Q2). Secondly, we conducted a consumer survey based on a structured questionnaire aimed to measure the consumers’ perception of grocery retailers (Q3) and identify the store attributes that contribute more than others to retailers’ differentiation (Q4).

Focus groups method is one of the major marketing research tools used to gain insight into consumers’ thoughts, feelings and experience (Kotler & Armstrong, 1999). This method was appropriated for this study because it provided a way to uncover consumers’ experience with grocery retailers, exploring store patronage and trust dimensions.

Standard focus group protocol was followed throughout (Templeton, 1994). First, the two lead researchers have developed an interview guide and they have identified the areas to explore, that would likely yield relevant information in relation to the topic under investigation. Specifically, discussion was stimulated by a semi-structured interview aimed to investigate the role of retail store formats and store attributes in purchase decisions. Next, an initial pool of candidates for the focus groups sessions was developed by using the snowballing technique in which each subsequent contact is asked for additional names. Participants were chosen to provide a mix of men and women, a range of ages from young adults through retirement age and various households types, including singles and couples with and without children. Stated research goals, it was important for the respondents to be responsible for household shopping.

Our focus groups research involved a sample of 28 consumers in four groups of 7. Each of four focus groups sessions consisted of 7 individuals and each participant was the primary grocery-buying agent for the household. Each individual who participated in the focus groups completed a brief survey at the end of each session concerning the profile socio-demographics (Table 1).

Table 1. Description of focus groups participants (N=28)

ID	Gender	Age (years)	Family	Employment status
P1_f1	Female	58	Married with children	Employee
P2_f1	Female	27	Married with children	Employee
P3_f1	Female	44	Married with children	Employee
P4_f1	Female	39	Married with children	Employee
P5_f1	Male	25	Single	Student
P6_f1	Female	25	Single	Student
P7_f1	Male	29	Single	Student
P1_f2	Female	48	Married with children	Employee
P2_f2	Female	25	Single	Student
P3_f2	Female	23	Single	Student
P4_f2	Female	49	Married with children	Employee
P5_f2	Female	45	Married	Employee
P6_f2	Female	39	Single	Employee
P7_f2	Male	25	Single	Student
P1_f3	Female	36	Married with children	Employee
P2_f3	Female	44	Married with children	Employee
P3_f3	Female	48	Married with children	Employee
P4_f3	Female	24	Single	Student
P5_f3	Female	26	Single	Employee
P6_f3	Male	28	Single	Employee
P7_f3	Female	45	Married with children	Employee
P1_f4	Female	51	Married with children	Employee
P2_f4	Male	45	Single	Employee
P3_f4	Female	33	Married with children	Employee
P4_f4	Female	41	Single	Employee
P5_f4	Female	42	Single	Employee
P6_f4	Female	25	Single	Student
P7_f4	Female	26	Single	Student

Focus groups were conducted in the city of Milan. This market offers consumers a variety of food retail formats including supermarkets, hypermarkets, convenience stores and discount, as well as a variety of retailers companies. Focus group discussion lasted for about two hours, were recorded and later transcribed in their entirety so that both text and audio versions of the sessions could be used to analyse themes.

The analysis was conducted in a two-stage. First, the researchers read the transcripts to become familiar with the data and define the codes that emerged from the discussion using the template method (King, 1998) that combines theory-driven approach (themes identified a priori) with the data-driven (themes emerging from the discussion). The researchers then read again the transcripts together, discussed the possible differences in the codes identified and reached a suitable agreement interpretation. In the second step, the codes were aggregated into the top level categories considering similarities between them. A content analysis software (NVivo) was used to support the categorization of data. Some of the participants' comments were selected among those more representative of the results and used to discuss the results.

As a qualitative research method, focus groups interviewing has some disadvantages include small sample size, lack of generalizability of results and cost. For this reason, we have conjoined qualitative and quantitative research tools. In particular, we conducted a second empirical research based on a structure questionnaire which was administered to 50 consumers of the 20 major Italian grocery retailers (total 1000 customers). Consumers were selected to reflect the composition of the customer base (Table 2).

Table 2. Socio-demographic characteristics of customer sample

Characteristics	% sample
Gender	
Male	36.8
Female	63.2
Age (years)	
18-30	19.7
31-50	37.8
51-65	25.1
Over 65	17.4
Shopper profile	
Responsible for household shopping	76.2
Not responsible for household shopping	23.8

We investigate the consumers' perception with reference to the multiple attributes which make up store image, according to those identified by the main literature (Bloemer & de Ruyter, 1998; Hansen & Deutscher, 1977; Cox & Brittain, 2000; McGoldrick, 2002; Sinah & Banerjee, 2004).

The store attributes examined in our research are listed in Table 3. Participants were asked to assess to what extent their primary store was "different" from competitors along the store attributes. On the basis of these data, we constructed an indicator of differentiation by asking consumers to express their perception of "diversity" of each store attributes for each retailer in comparison with its competitors (evaluating each lever on a scale from 1-same, to 3-completely different). The percentage of customer ranking the store attributes as "fairly" different or "completely" different is then assumed as "differentiation indicator". The survey data were analysed using SPSS software analysis.

Table 3. Variables used in the study

Store attributes	Measurement scale	Definition
Range (variety of range, depth of range, quality of fresh foods, quality of store brands, national brands, non-food products, premium products, value brands)	Metric	Range perception of differentiation from 1 (same) to 3 (completely different)
Promotions (short term prices, short collection, special promotions)	Metric	Promotions perception of differentiation from 1 (same) to 3 (completely different)
Pricing (long term prices)	Metric	Pricing perception of differentiation from 1 (same) to 3 (completely different)
Communication (pricing communication, promotions communication, services communication)	Metric	Communication perception of differentiation from 1 (same) to 3 (completely different)
In-store marketing (store layout, display, tasting opportunities and demonstrations)	Metric	In-store marketing perception of differentiation from 1 (same) to 3 (completely different)
Ambience (quality of store environment, cleanness and tidiness)	Metric	Ambience perception of differentiation from 1 (same) to 3 (completely different)
Technology (self scanning, automatic checkout, electronic kiosks)	Metric	Technology perception of differentiation from 1 (same) to 3 (completely different)
Services (restaurants and café, finance and insurance, entertainment, telecommunications services, gas station)	Metric	Services perception of differentiation from 1 (same) to 3 (completely different)

4. Findings and Discussion

4.1 Shopping Needs Driving the Consumers' Choice of Grocery Stores

In order to identify the shopping needs which drive the choice of a grocery store (Q1), we asked focus group participants to write down words and phrases associated with their usual store. This discussion led to identify the categories and codes listed in Table 4. In particular, words and phrases associated with the usual grocery outlet can be grouped into four conceptual categories of consumer needs: time-saving (40% of associations), quality (31% of associations), money savings (18% of associations) and trust (9% of associations).

Table 4. Categories and codes of the thematic analysis

Categories	*Codes*		*Frequency %**
Time savings			40%
	Exogenous factors (location, parking, opening time, store size)	14%	
	Endogenous factors (instore services, layout, display, promotions, range, customer service)	26%	
Quality of the shopping experience			31%
	Range	18%	
	Environment	9%	
	Customer services	4%	
Money savings			18%
	Long term prices	10%	
	Short term prices (promotion)	8%	
Trust			9%
	Familiar	5%	
	Guide in the choice	3%	
	Loyalty program	1%	

Note. *The remaining 3% of the words and phrases associated with the main store are not categorized because they refer to an occasional frequency of the store (e.g. the store is attended only for "home care products", "non- food items…).

The choice of the grocery store is guided firstly by the need to save time (40% of the associations). This need can be satisfied by exogenous factors concerning the context or the format ("the store is easy to get to" or "the store is not too big and not too small"), but also by endogenous factors concerning the retail mix levers. In particular, range helps to save time when it is 'very wide' and consequently allows consumers to make a single shopping expedition, but also when it is 'basic' and allow consumers to shop quickly because there are less alternative to evaluate. Store layout helps to save time if it 'not too spread out', for example when items on special offer are aggregated in promotional areas. Also the display helps to shop fast when it is 'logically organized' and 'products are well-presented'. Finally, consumers are able to save time when the store offers some services aimed to make the check out fast, such as "self-scanning" of "self check out".

The second reason for choosing a grocery store is the quality of the shopping experience (31% of the associations). This need is satisfied firstly by the range, which is evaluated taking into account the quality of the products ('quality of fresh products' and 'quality of private label') but also the degree of differentiation and innovation (the presence of "ethnic products' and 'displays of newly launched products'). A good shopping experience for consumers depends also on the quality of the environment ('pleasant', 'light', 'clean' and 'tidy') and the customer services (sales personnel is 'competent', 'polite' and 'ready to listen').

Contrary to our expectations, a low price policy is not a priority when choosing where to shop: only 18% of words and phrases associated with the usual grocery store reflect a need to save money either in a long-term dimension ('good price-quality ratio') than in a short-term one ('special offers' and "promotions"). For participants, the need to "save money" appears to be less important than the need to "save time".

Finally, the last reason for choosing a grocery store is the trust to the retailer: 9% of the associations reflect the need to be reassured (the store must be “trustworthy”, “welcoming”, “familiar”) and oriented in shopping decisions (the store is preferred when “It gives ideas for cooking”, or “advice on nutrition”).

In conclusion, time-saving, quality of shopping experience, money saving and trust appear to be the four pillars supporting the retailer patronage.

4.2 Consumers’ Perception of Retail Store Formats

In order to explore consumer experience with retail store formats, and to answer our second research question (Q2), we asked participants to discuss the reasons to choose a particular retail store formats and the role of them in meeting these needs. The purpose was to better understand which role the different store formats have in satisfying the four shopping needs identified before (time-saving, quality, money saving, trust).

First of all, we have started by asking participants to explain what “Supermarket”, “Hypermarket”, “Convenience Store” and “Discount” meant for them. Consumers recognize the “mission” of each store formats: they have identified, in fact, the supermarket as the “point of sale for food products”, the discount as the “shop for cheap products”, the hypermarket as the “shop for food and non-food products” and the convenience store as the “shop for emergencies”.

Secondly, we discuss the role of retail store formats in meeting their shopping needs. Consumers recognize differences in some store attributes (chiefly size and range), but they do not perceive big differences among store formats in terms of meeting their shopping needs.

In particular, the need to “save time” is satisfied firstly by small retail store formats (convenience store, discount or small supermarkets), but it can be also satisfied by hypermarkets. Even if most participants perceive the “hypermarket” as “time-wasting”, because it is too big with a width range that confuse them, some consumers can successfully satisfy the need to “save time” in the hypermarket thanks to the presence of some services that make shopping fast. During the discussion, in fact, some participants remarked the presence of “small baskets on wheels for small quantities of goods” and ‘Fast check-outs” which help them to shop faster. They also remarked “My usual hypermarket is like a supermarket: clothes and other departments are separate and you hardly see them, I don’t waste time”. From this perspective, hypermarket is not so different from supermarket thanks to in-store services or layout model, which help consumers to shop quickly meeting needs previously satisfied only by smaller formats. In other words, in-store services and layout make the two store formats – hypermarket and supermarket – more similar than in the past, initiating a convergence process.

Similarities among retail store formats could be appreciated also regarding the need to “save money”. This need is met by the discount store format, which is spontaneously associated with “low prices”, but it could be satisfied also by the supermarket. During the discussion, some participants said “You can find low prices also at the supermarket, but the quality is better, so there is no reason to go to the discount”. They also remarked “Prices at discount stores are similar to private label prices, so it is not worth going there”. According to this perspective, the need to “save money” could be met by different store formats: supermarkets and hypermarkets as well as discount.

Lastly, the needs for “quality” and “trust” are satisfied by small formats (convenience stores or small supermarkets), associated with ‘quality’ and ‘trust relationship” with retailer. Many participants, in fact, have associated the big stores with impersonal and confusion: hypermarkets, large supermarkets and superstores are seen “impersonal, cold and lacking in personal interactions”. However, there are some consumers that find “quality” and “trust” also in the big stores, thanks to an efficient customer services and the relationship with competent sales personnel. They remarked that in the hypermarket “You can taste samples of cheese, jam and honey, like in a traditional store” and “If you want a particular cut of meat, personnel will prepare it for you just like the old-fashioned butcher”. In other words, customer service is bringing the hypermarket closest to the traditional store meeting the needs for quality and trust.

To summarize, consumers perceived a growing convergence among store formats: although they recognize the mission of the different store formats, they do not perceive great differences in terms of meeting shopping needs. All store formats are able to satisfy the need to “save time”, thanks to in-store services and layout, the need to “save money”, thanks to promotion or private label policy, the need to “quality” and “trust”, thanks to customer services.

4.3 Consumers’ Perception of Grocery Retailers

Relationship marketing is built on the concept of developing and maintaining long-term relationship between consumers and retailers. However, relationship building that result in loyalty is difficult to achieve if retailers are less differentiated. Since retail store formats are perceived as less differentiated than in the past, as emerged in the focus group discussion, it becomes important to explore consumer perception of grocery retailers in order to understand which are the reasons for store patronage and a trust relationship with retailers.

The quantitative empirical research has tried to investigate this topic and to answer to our last two research questions (Q3 and Q4). Specifically, to answer our third question research, we constructed an indicator of differentiation by asking consumers to express their perception of "diversity" of each store attributes for each retailer in comparison with its competitors (evaluating each lever on a scale from 1 (same) to 3 (completely different) as shown in Table 4. The percentage of customer ranking the store attributes as "fairly" different or "completely" different is then assumed as "differentiation indicator".

Table 5 shows that there is great variation in consumers' perceptions: the most highly differentiated retailer (Retailer W) is perceived as different in store attributes 68 times out of 100, while the least differentiated one (Retailer I) is perceived as different only 20 times out of 100. However, only 5 retailers present an index over 50%.

Table 5. Differentiation indices by retailers

Retailers	**Differentiation index (from 0 to 100%)**
Retailer W	68%
Retailer H	59%
Retailer L	58%
Retailer J	53%
Retailer B	50%
Retailer A	49%
Retailer P	48%
Retailer X	48%
Retailer C	47%
Retailer K	43%
Retailer V	41%
Retailer Y	36%
Retailer M	36%
Retailer G	35%
Retailer N	32%
Retailer S	29%
Retailer O	28%
Retailer F	28%
Retailer D	28%
Retailer I	21%

An interesting result is the relationship between the differentiation index and its variability among retailers. Not all retailers are investing in the same store attributes: among the retailers which are perceived as highly differentiated, there are some which concentrate their efforts on only few store attributes (Figure 1). Some retailers (Retailers L and H), for example, present high differentiation indicators but there is big variation between the differentiation indicators specific to each marketing lever. This means that these retailers differentiate only some of the marketing levers and pay less attention to others. On the other hand others retailers (Retailers W and J), which have higher than average differentiation indicator scores, show little and below average variation between differentiation level of each individual marketing levers.

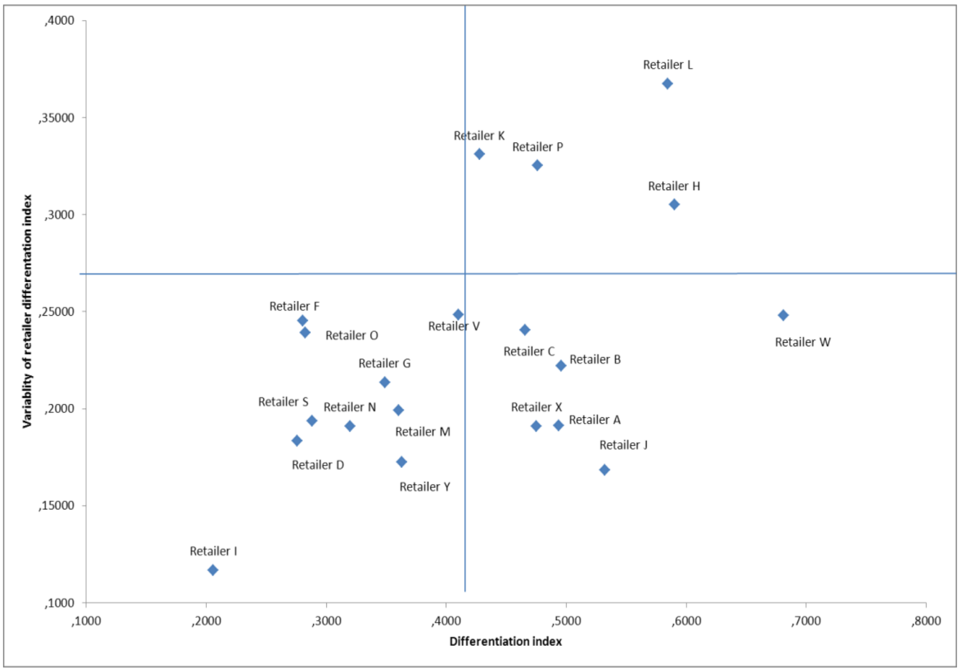

Figure 1. The relationship between average retailer "differentiation index" and its variability

4.4 Store Attributes Driving the Retailers' Differentiation

To answer our last research question (Q4), we have explored the contribution of each marketing levers to the differentiation (Table 6).

Table 6. Differentiation indices by store attributes

Store attributes	**Differentiation index (from 0 to 100%)**
Pricing	73%
Range	69%
Promotions	50%
Ambience	46%
Technology	36%
Communications	36%
Instore marketing	21%
Services	14%

Disaggregating the differentiation index in its components, we find that pricing and range are the main marketing levers to be perceived as "fairly / completely" different between one retailer and another. Tools perceived as not differentiated are technology, communications, in-store marketing and services.

Finally, exploring the relationship between the differentiation index and its variability among retail mix levers (Figure 2), we find that range and pricing show the highest differentiation indicators and also the lowest variation between retailers. This means that all retailers are concentrating on differentiating range and pricing, while others important store attributes, such as in store marketing or services (considered important by focus groups participants) are not managed.

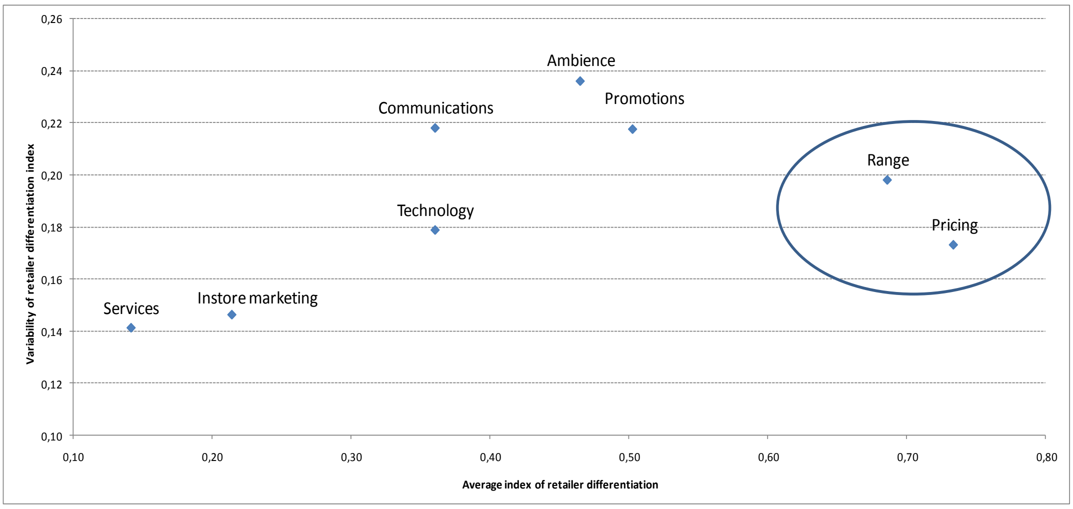

Figure 2. Relationship between average differentiation and variability indices

5. Conclusions and Implications

Increasing competition in the Italian grocery market is pressing retailers to search for new ways to differentiate themselves and gain a better competitive position in the mind of consumers. Gaining competitive advantage in retailing requires a deep knowledge of the attributes consumers use to evaluate stores and a proper understanding of why these attributes are important (Mitchell & Kiral, 1998). Although there is a considerable body of literature about store choice and store image, changes in retail landscape make the pattern of store choice more complex than in the past and the previous assumptions no longer applicable to the Italian context.

Our work provides grocery retailers a specific knowledge of the attributes that consumers consider to be most important when choosing where to shop. In particular, we have explored consumers' perception of grocery retailers in order to understand which are the shopping needs consumers want to satisfied when they choose a grocery store and which store attributes consumers perceive different between retail store formats and between grocery retailers.

Our findings show an increasing similarity both among retail store formats than among grocery retailers. According to the focus groups' analysis, consumers perceive a growing similarity between retail store formats: even if they recognize that some store attributes vary among retail store formats, depending on the size or range, they do not perceive significant differences in terms of meeting their shopping needs.

The shopping needs - time-saving, quality of shopping experience, money saving and trust – could be satisfied by more than one store format. Specifically, the need to "save time" could be met by small retail store formats, such as convenience store or small supermarket, but also by the hypermarket if it has developed some "in-store" services such as self-scanning or fast check-outs. At the same time, the need to "save money" could be satisfied by the discount stores, given its every-day low prices policy, but also by the supermarket if it offers a range of value references or develops aggressive promotion pricing policies. Finally, the need for "quality" and "trust" could be satisfied by all the retail store formats, even the discount thanks to its upgrading. The increasing convergence among retail store formats affects consumers' decision-making on purchasing. Since retail store formats are getting similar in satisfying shopping needs, consumers first choose the retailer and later the retail store format within the retailer portfolio. In other words, consumers chose the retail grocery store regardless of the store formats.

In such scenario, store image becomes an important asset for store choice and store patronage. In the literature, store image has been studied as an important antecedent of store preference (Thang & Tan, 2003), consumer satisfaction (Martenson, 2007), the frequency of store visits (Pan & Zinkhan, 2006), shopping trips, shopping expenditure and store loyalty (Arnold et al., 1983). Our research highlights the importance of the store image as a driver of differentiation strategies, as well as an important means of managing store positioning.

As supported by the literature (Birtwistle et al., 1999, Uusitalo O., 2001), a proper understanding of the store image can help retailers in store differentiation strategies. However, according to our findings, Italian retailers do not show the degree of differentiation perceived that we would have expected: retailers are not yet perceived so much differentiated as they should be in order to be recognized by consumers as distinctive. Our research, in fact, shows that retailers are actively operating only few retail levers: range and pricing.

If retailers want to gain customer preferences in a context of competitive convergence, they need to be aware that consumers' choice of grocery retail stores is changed. Answering to shopping needs levering range and price is not enough. To gain a better competitive position in the minds of consumers, retailers should manage also the other retail levers: in store marketing, services and technology.

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