International Journal of Research Publication and Reviews

Evaluate the Impact of Strategic Factors Used by Supermarkets on Customer Attraction: Special Reference to Supermarkets in Gampaha District, Sri Lanka

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DOI: https://doi.org/10.55248/gengpi.4.1023.102823

A B S T R A C T

The supermarket industry is one of the rapidly growing industries in Sri Lanka. In the present context, most people tend to use supermarkets for their busy life schedule. The purpose of this study is to investigate the factors that contribute to customer attraction in Business strategies. It helps to examine and understand which factor needs to be emphasized in determining customer attraction. Supermarkets always try to use unique ways to attract their customers. They use strategies for their marketing. This research intends to gain a better understanding of the business strategy dimensions that affect customer attraction in the supermarket industry. Based on the detailed literature review, a theoretical framework was developed, and four business strategy dimensions were selected to be tested in the supermarket sector to get a better understanding of this issue. A total of 150 usable responses were collected from customers who are using supermarkets in the Gampaha District. The researcher adopts the SPSS software for analyzing the collected data. The findings show that there are numerous significant associations between contextual factors and customer attraction. The four independent variables are service quality, product differentiation, customer satisfaction and visual merchandising. The dependent variable of the study is customer attraction. The entire hypotheses were successfully tested and only three were proven with positive acceptance. Based on the study's findings, theoretical and managerial implications are discussed. Limitations and suggestions also are made for future research.

Keywords: Business strategies, customer attraction, supermarkets

1. Introduction

Supermarkets have become the dominant retail industry globally, catering to the needs of people seeking convenience in their busy lives (Habaragoda, 2021). In Sri Lanka, the service sector, contributing 59.51% to the GDP in 2021, is pivotal to the economy. Notably, wholesale and retail trade activities saw a 3.7% increase in value added in 2021, with supermarkets playing a significant role (Habaragoda, 2021). Supermarkets offer a wide range of products, including groceries, fresh meat, bakery, dairy items, and non-food goods, and they have evolved to meet the demands of a faster-paced lifestyle (Trappey & Lai , 1997). Understanding and attracting customers is important for the survival and success of any organization. Customer satisfaction has become a main aspect of business strategies, as it contributes significantly to the profitability and productivity of the business (Pe´rez, Abad, Carrillo, & Ferna´ndez, 2007). To attract and satisfy customers, supermarkets employ strategic factors such as service quality, product differentiation, customer satisfaction, and visual merchandising (Fornell, 1992), (Torres-Moraga, Vásquez-Párraga , & Zamora-González, 2009). Product differentiation describes the offering of a variety of distinctive products, which is common in supermarkets, catering to consumers' preferences. Visual merchandising, described as enhancing products, boosting brand recognition, and creating an inviting shopping environment, is crucial in retail businesses. It plays a significant role in attracting and retaining customers by capturing their interest and encouraging purchases (Gajanayake, Gajanayake, & Surangi , 2011). Customer satisfaction and loyalty are paramount for supermarkets, requiring a supportive and pleasant in-store environment. Different facilities such as parking and children's playgrounds enhance the customer experience [9]. Loyalty programs such as customer loyalty cards, also contribute to customer retention in the context of supermarkets [9]. This study involves major supermarkets in the Gampaha district, including Keels, Cargills Food City, Arpico Supercenters, and mini-supermarkets (Habaragoda, 2021). This research investigates the business strategies employed by supermarkets to attract and retain customers. It highlights the significance of customer satisfaction, product differentiation, and visual merchandising in a competitive retail industry, emphasizing the importance of understanding and meeting the changing needs of customers.

Owing to the rapid growth of supermarkets in the wholesale and retail sector, the customer is given the ability to inspect the goods and buy the most acceptable products. There is a lot of rivalry among supermarkets in the real world and they employ numerous business strategies to deal with this competition. Additionally, the idea of retail service efficiency can be related to consumer satisfaction, customer engagement and brand value to obtain more marketing insights (Sivathaasan, Chanaka , & Achchuthan, 2014).

Nowadays, attracting customers has become a very challenging task for every business organization. However, it is a very important task for each and every organization to achieve organizational objectives. Supermarkets follow different business strategies to increase customer attraction. For example, the best opportunity to build consumer loyalty and increase market share is to create store formats that provide lower prices, sales promotions, a good environment, good product quality, and good service (Trappey & Lai , 1997). Most likely business strategies of supermarkets will have a huge impact on attracting customers. Supermarkets have to give their attention to business strategies. If not, they have to face many issues that can arise from the customers. Especially, customers in retail supermarkets in Gampaha City have to face the challenges of parking facilities and convenient operating hours (Rajathi & Siva, 2018). Therefore, it has a bad impact on attracting customers. When considering supermarkets in Gampaha, most of the customer attraction is directed toward supermarkets such as Keels, and Cargills. There, it is being studied about why these supermarkets are more attractive to the customers and what are the factors that affect it the most. This research was done in order to fill this knowledge gap. The following objectives were developed by the researcher based on past literature in order to test the impact of strategic factors on customer attraction.

1. To identify the level of the impact of strategic factors used by supermarkets to attract their customers.

2. To identify the effect of service quality on customer attraction.

3. To identify the effect of product differentiation on customer attraction.

4. To measure the developing customer satisfaction effect on customer attraction.

5. To measure the visual merchandizing effect on customer attraction.

2. Methodology

Conceptualization is the backbone of a research study. It is the process of taking a construct or concept and refining it by giving it a conceptual definition. According to (Sekaran & Bougie, 2019). A conceptual framework is one's opinion about how specific variables or concepts are connected to one another, as well as an explanation of why certain variables are associated with one another.
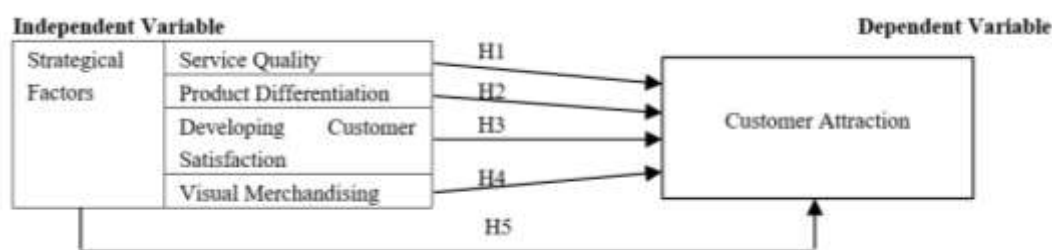

Independent Variable

Strategical Factors	Service Quality	H1
	Product Differentiation	H2
	Developing Customer Satisfaction	H3
	Visual Merchandising	H4

H5

Dependent Variable

Customer Attraction

Fig 2.1-Conceptual Framework

In this study, customer attraction was considered as the dependent variable and strategic factors act as the independent variable. The considered independent variable was measured by using four dimensions such as service quality, product differentiation, developing customer satisfaction and visual merchandising.

This study is based on the survey method with quantitative Nature. As this research examines the impact of strategic factors used by supermarkets on customer attraction, this study can be identified as explanatory research. The study tended to flow from generic to specific therefore this lay under the deductive approach. According to this study, the unit of analysis is individual. Accordingly, the researcher looks at the data gathered from each individual and treats each respondent's response as an individual data source. In this study, the researcher collects data from each individual customer of supermarkets in Gampaha District, Sri Lanka. The researcher used both primary data and secondary data sources for this study. The population considered for this study is all the customers who used supermarkets in the Gampaha district. From the population, the researcher has identified a sample of 150 under the convenience sampling method. This study is designed to identify the impact of strategic factors used by supermarkets on customer attraction. It is necessary to include respondents who belong to different genders, different age groups, and different occupations. A well-constructed questionnaire was employed to collect primary data from respondents. Self-administered method was employed by the researcher to collect data. The Independent Variable was measured in terms of twenty-four (24) questions in the questionnaire and the dependent variable was measured in terms of six (6) questions. Those questions were presented under a five-point Likert scale. Data analysis of this study was conducted with the use of descriptive statistics, correlation, and regression analysis. SPSS statistical software was used for data analysis. Correlation analysis was used to identify the relationship between dependent and independent variables while regression analysis was used to measure the impact of independent variables on the dependent variable.

3. Results and Discussion

This study was conducted by considering 150 supermarket users in Gampaha district. The demographic characteristics of the sample profile include gender, occupation, monthly income and customer choice of supermarkets of the respondents. Further information regarding the sample profile was discussed in the following chart.

Table 3.1-Demographic Analysis

Description	Range	Frequency	%
Gender	Male	71	47.3%
	Female	79	52.7%
Occupation	Employed	95	63.3%
	Unemployed	6	4.0%
	Student	49	32.7%
Monthly Income	25000 and below	57	38.0%
	Between 25000-50000	43	28.7%
	Between 50000-100000	45	30.0%
	Above 100000	5	3.3%
Choice of Supermarkets	Keels supermarket	69	46.0%
	Cargills supermarket	45	30.0%
	Arpico supercentre	32	21.3%
	Other mini supermarkets	4	2.7%

Source: survey data 2023

Among the selected sample 47.3% represent males and 52.7% represent female respondents. The researcher tries to collect an equal number of respondents by gender. However, the percentage of male-female is still very close to half-half distribution. As both groups have a kind of 50% of the total respondents, a researcher can assume that the difference in gender composition is not large enough to make an impact on the survey result. According to the above table, 63.3% of the sample were employed, 4% were unemployed and 32.7% were students. With the selected sample 38% are 25,000 and below monthly income category and 28.7% are between 25,000-50,000 income categories. 30% are between the 50000 - 100000 income category while 3.3% of respondents were above the 100,000 income category. From the sample 46% represent Keels supermarkets, 30% represent Cargills supermarket, 21.3% represent Arpico supercenters and 2.7% responders are choosing other mini supermarkets.

Table 3.2 - Reliability Analysis

Reliability Statistics		
Construct	Cronbach's Alpha	Number of Items
Service Quality	.922	9
Product Differentiation	.813	3
Customer Satisfaction	.885	5
Visual Merchandising	.899	7
Customer Attraction	.932	6

Source: survey data 2023

Reliability analysis examines the internal consistency of the construct that we used to measure the key variable of the statistics. This is measured by Cronbach's alpha value. According to (Sekaran & Bougie, 2013). It measures the "goodness" of a measure. According to the above table, Cronbach's alpha values for each independent and dependent variable are higher than 0.7. Generally, values should be located between 0.7-1.0. If the alpha value lies between that range, it concludes that the variables are highly reliable to measure. The table indicates that all the questions which were used to measure both independent and dependent variables were internally consistent.

Table 3.3 - Correlation Analysis

		SQ	PD	CS	VM	SF	CA
SQ	Pearson Correlation	1					
	Sig. (2-tailed)						
	N						
PD	Pearson Correlation	.850**	1				
	Sig. (2-tailed)	.000					
	N	150	150				
CS	Pearson Correlation	.906**	.841**	1			*
	Sig. (2-tailed)	.000	.000				
	N	150	150	150			
VM	Pearson Correlation	.892**	.815**	.893**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	150	150	150	150		
SF	Person correlation	.857**	.810**	.868**	.902**	1	
	Sig.(2-tailed)	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	

CA	Pearson Correlation	.830**	.751**	.804**	.892**	.841**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	150	150	150	150	150	150
	**. Correlation is significant at the 0.01 level (2-tailed).						

Source: survey data 2023

The correlation table depicts the correlation of each variable with other variables including independent and dependent variables. This can be described by the above table. The Pearson correlation coefficient between service quality and customer attraction was 0.830 which indicates a strong positive relationship with a statistical significance of 0.000. There was a Pearson correlation coefficient of 0.751 between product differentiation and customer attraction which describes a strong positive relationship with a statistical significance of 0.000. Pearson correlation coefficient between customer satisfaction and customer attraction was 0.804 which indicates a strong positive relationship under a significance of 0.000. Pearson correlation coefficient between visual merchandising and customer attraction was 0.892 which indicates a strong positive relationship with a statistical significance of 0.000. Finally, there is a strong positive relationship between strategic factors used by supermarkets with customer attraction with a Pearson correlation coefficient of 0.841 subjected to 0.000 significance.

Table 3.4 - Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.896a	.803	.798	.30398	1.449
a. Predictors: (Constant), VM, PD, CS, SQ					
b. Dependent Variable: CA					

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.009	.183		.050	.960
	SQ	.210	.107	.199	1.958	.000
	PD	.025	.074	.025	.337	.737
	CS	.088	.101	.087	.873	.038
	VM	.874	.104	.772	8.423	.000
a. Dependent Variable: CA						

Source: survey data 2023

According to the above regression model, The R square value is the proportion of variance in the dependent variable (customer attraction) that can be explained by the independent variables (service quality, product differentiation, customer satisfaction, visual merchandising). The value of the R Square is 0.803 which indicates how much of the total variation in the dependent variable can be explained by the independent variable. According to the obtained results, R^2 value is 0.803 and it implies that 80.3% of the strategic factors are affected for customer attraction dimensions and the rest 19.7% of customer attraction is decided by other factors which are explicit to the study. The regression coefficient of service quality indicates (β=0.210, p< 0.000) which describes a positive & significant impact on customer attraction. The regression coefficient of product differentiation was (β=0.025, P<0.737) indicating that has a positive impact on customer attraction. The regression coefficient of customer satisfaction indicates that it has a positive and significant impact on customer attraction (β=0.088, P<0.038). Finally, the regression coefficient of visual merchandizing also indicates that there is a positive significant impact on customer attraction (β=0.874, P<0.000).

4. Summary and Conclusion

The main purpose of the current study was to identify the impact of strategic factors used by supermarkets on customer attraction with special reference to supermarkets in the Gampaha District, Sri Lanka. Five hypotheses were established and four hypotheses were accepted. This can be identified through the following hypothesis accepting table.

Table 4.1 - Hypothesis Testing Summary

Hypothesis	Correlation		Accept/ Reject	Regression		Accept/ Reject
	r	P		B	P	
H1: There is a positive and significant impact of service quality on customer attraction.	.830** Strong positive	0.000	Accepted	.210	.000	Accepted

H2: There is a positive and significant impact of product differentiation on customer attraction.	.751** Strong positive	0.000	Accepted	.025	.737	Rejected
H3: There is a positive and significant impact of developing customer satisfaction on customer attraction.	.804** Strong positive	0.000	Accepted	.088	.038	Accepted
H4: There is a positive and significant impact of visual merchandizing on customer attraction.	.892** Strong positive	0.000	Accepted	.874	.000	Accepted
H5: There is a positive and significant impact of strategic factors used by supermarkets on customer attraction.	.841**Strong positive	0.000	Accepted	.321	.000	Accepted

Source: developed by the researcher

This research evaluates the impact of strategic factors used by supermarkets on customer attraction with special reference to supermarkets in Gampaha district, Anuradhapura. Customer attraction is the dependent variable of the study while strategic factors are the dependent variable which was measured by service quality, product differentiation, Developing customer satisfaction and visual merchandising.

This study was developed with five hypotheses, among them four hypotheses were accepted while one hypothesis was rejected. The data supports the hypothesis (H1) that there is a positive and significant impact of service quality on customer attraction. The data indicates a strong positive correlation between product differentiation and customer attraction, but the regression analysis suggests that the impact might not be statistically significant. Therefore, the hypothesis (H2) is partially supported. The data supports the hypothesis (H3) that there is a positive and significant impact of developing customer satisfaction on customer attraction. The data supports the hypothesis (H4) that there is a positive and significant impact of visual merchandising on customer attraction. The data supports the hypothesis (H5) that there is a positive and significant impact of strategic factors used by supermarkets on customer attraction. The study found strong positive correlations between service quality, product differentiation, customer satisfaction, visual merchandising, and strategic factors used by supermarkets with customer attraction. However, while product differentiation had a strong correlation, the regression analysis suggests that its impact may not be statistically significant. The other four factors had both strong correlations and statistically significant impacts on customer attraction.

5. Recommendations

The study aimed to evaluate strategic factors affecting customer attraction in supermarkets with reference to Gampaha District, Sri Lanka. The population considered for the study includes all supermarket customers in the Gampaha district, with a focus on four key determinants of customer attraction: service quality, product differentiation, customer satisfaction, and visual merchandising. The researcher collected data from 150 respondents using self-administered questionnaires distributed to supermarket customers in Gampaha District. The data collected were analyzed using SPSS version 25. Prior to major analyses, the researcher conducted a reliability test, in order to ensure that the data met recommended standards. Descriptive statistics were then performed to determine standard deviations and means. The subsequent correlation analysis revealed that four out of five hypotheses were statistically significant ($p<0.05$), indicating a positive influence of service quality, customer satisfaction, and visual merchandising on customer attraction. Notably, product differentiation did not exhibit a significant influence on customer attraction. The study suggests that strategic factors employed by supermarkets significantly impact customer attraction in the global supermarket industry. The research emphasizes the importance of service quality, customer satisfaction, visual merchandising, and product differentiation as crucial elements in the supermarket industry.

The study highlights visual merchandising as a highly influential factor in customer attraction. Managers are advised to maintain neatly arranged stores, understand customer interests, and consistently present new items to draw customer attention. Creating a comfortable shopping environment and ensuring that customers can easily navigate the store are also recommended to enhance customer attraction. Service quality was identified as an important factor affecting customer attraction. To capitalize on this, supermarket managers should focus on providing the best possible service to customers. Employees should always be willing to assist customers promptly and efficiently, which may require training programs to ensure consistent quality service. Maintaining customer satisfaction is vital for attracting and retaining customers. Supermarkets should strive to satisfy their customers in all aspects of their service. Satisfied customers are more likely to return, making this an essential focus for supermarket management.

The study acknowledges limitations, primarily stemming from a restricted sample from the Gampaha district, limiting the generalizability of findings to all of Sri Lanka. Future research should include diverse respondent groups. Moreover, the research recommends exploring other specific sectors to gain a deeper understanding of this field, particularly due to the scarcity of studies in the Sri Lankan context. Future researchers are encouraged to use alternative models and methods to examine customer attraction and to adapt to the dynamic nature of the supermarket industry. Expanding the geographical scope of such studies within Sri Lanka is also advisable to better understand regional differences in customer attraction.

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