MAKERERE UNIVERSITY

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RETAIL ATMOSPHERICS, PERCEIVED SERVICE QUALITY AND RETAIL STORE PATRONAGE OF SUPER MARKETS IN KAMPALA.

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PLAN "A"

DECEMBER, 2015

DECLARATION

I **Dokcen Charles** declare that this Dissertation is my original work and that it has never

been presented, and/ or submitted to any other institution for any award.

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APPROVAL

This is to certify that this dissertation has been submitted to the Directorate of Graduate Research and Training – Makerere University with our approval as Makerere University supervisors.

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Signature:…………………… Date:…………………..

Supervisor: **Dr. Moses Tahate Kamya (PhD)**

DEDICATION

To my late Dad, Gerald Angala P'Ungolo who instilled in me the love for education and helped me develop my esteem as having the ability to achieve anything others are able to achieve. You set the bar high for me Daddy; you should have been here with me to witness the fruit of your inspiration. Rest in Peace Daddy.

To you Mr. Nehemiah Ucaya, you have shown me true fatherly love. You showed me the way, you kept looking after me, even with the little you could afford by your sweat. I am indebted to you Baba. May God bless you with many years till you see the fruit of your trust and love for me. I love you.

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ABSTRACT

Academic research works on retail store patronage have proliferated over the years, however very few studies in this area have focused on retail stores in emerging markets. This study adopted a cross sectional approach to examining how retail atmospherics variables (light, music, scent, and color); together with perceived service quality affect customers' patronage on these retail stores. The focus of this study that commenced in the year 2013 was on super markets in Kampala that give reward cards to their customers, namely Capital Shoppers, Nakumatt, Uchumi and Quality super markets. A cross sectional research design was employed and 1504 customers were sampled.

The results of the analysis revealed significant positive relationship between: retail atmospherics and retail store patronage of supermarkets in Kampala (r = 0.37, P≤01), retail atmospherics and perceived service quality (r = 0.23, P≤.01) and a significant positive relationship between perceived service quality and retail store patronage (r = 0.20, P≤01).

Retail atmospherics was found to have a partial significant positive effect on retail store patronage (beta = .268, p≤01) in the simple regression and on controlling for perceived service quality, the effect did not only remain significant but got strong (beta = .346, p > .05). The Sobel test for mediation showed that the mediating effect was partial and significant (Z = 3.15, p≤.01).

It is therefore important that marketing practitioners consider the synergistic contribution of these variables in order to create a comprehensively appealing environment for attracting patronage.

Keywords: Retail atmospherics, perceived service quality, and retail store patronage.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Retail store patronage is the proportion of trips made to a particular store, the volume of items purchased in a given time period usually measured by comparing consumer's total weekly/monthly purchase (in money terms) from the store, with the normal family consumption in a month. It is presumed to be influenced by perceived service quality, an outcome of engagement with the customer that helps retailers differentiate themselves (Chao, Fu, & Lu, 2007).

According to Bellenger, Robertson and Greenberg (1977), store patronage is a result of both the relative importance of various motives and the shopper's assessment of alternative stores with respect to the various factors used in making the selection. Retail patronage among customers consists of store choice and frequency of visit. Patronage behavior is conceptualized as a multifaceted construct that includes consumers' future intentions to shop at any retail store, telling a friend about the store to attend, in-store clinics, presentation, or demonstrations, and participation in a store adventure such as a company-sponsored and led fundraising drive for a noble cause (Subhashini, 2006).

Predictors of retail store patronage include: retail atmospherics, customer demographics and customer perception of service quality (Huddleston & Minahan, (2011). These factors influence shoppers' retail choice, while others factors such as customer attitude and store image are important antecedents of shopping frequency. An understanding of patronage

behavior is a critical issue for retail managers because it enables them to identify and target those consumers most likely to purchase.

Marketing research suggests that socio-demographic variables such as age, gender, education, and income, also have influence on consumers' retail patronage behaviors (Outdoor Industry Association & Sporting Goods Manufacturing Association, 1997). It is therefore, important that marketing practitioners are encouraged to consider the synergistic contribution of retail atmospheric variables, customer demographics and other factors in order to create a comprehensively appealing environment for patronage (Gilboa & Rafaeli, 2003). According to Levy and Weitz (2009), perceived service quality depends on retail store environment or atmospherics. Retail store atmospheric is referred to as the attribute that aims to intensify the store environment with the combination of different cues such as ambient, design and social factors.

It has been observed by Hu & Jasper, (2006) that retail atmospherics strongly influence customer perceived service quality which in turn bears on retail store patronage. Perceived service quality is defined by the subjective response to the discrepancy between each customer's expectation of service and his/her perception of the service performance (Chao et al., 2007).

Retail stores in emerging markets like Uganda have undertaken numerous promotional activities to attract and retain customers, however, there has not been positive results leading to the closure or buy-out of some stores. The Ugandan market is characterized by rapid growth and increases in income, ever changing customer's demographic profiles and

changes in the retail environment which influences customers' perception of those stores. Based on this background most super markets in Uganda have registered high rate of customer turnover due to lack of consideration of retail atmospherics, perceived service quality and customers' socio economic background which greatly influences their patronage of the retail stores (Uganda Retailers and Wholesalers Association, 2014).

Modern retailers (supermarkets, hypermarkets and mini-marts) in Uganda are dominated by multinational supermarkets chains such as Uchumi, Nakumatt, Tuskeys and Shoprite and a few local Chain Supermarkets like Capital Shoppers, Quality Supermarket and Mega Standard supermarket. They appeal to a growing number of consumers in many key urban areas like Kampala Central Business District, Kampala suburbs, Mukono, Jinja, Masaka, Mbarara and Mbale (Uganda Retailers and Wholesalers Association report, 2014). The report also estimates that modern retail market share has increased by approximately 20 percent, forcing many indigenous supermarkets to relocate from their original premises to other suburbs due to competition from the multinational supermarket chains that are able to appeal to customers tastes. It also predicts buy-outs or takeovers by stronger foreign supermarkets in the near future.

To increase supermarket clientele and encourage repeat visits, supermarkets should vehemently advocate for strategies that entice their customers to choose them over others (Lovelock & Wirtz, 2011).

1.2 Statement of the problem

Retail store patronage has been found to be dependent on perceived service quality which is influenced by socio-economic background of customers, their personality, store atmospherics, and past purchase experience (Yan & Eckman, (2009). It can be understood that store image is derived out of both functional and psychological factors of the store. Hutcheson and Mutinho, (2010) found out that shoppers used a combination of perceived service quality and "the occurrence of low prices and the frequency of promotions" in choosing a store. Various studies have established that favorable store image leads to positive store choice and enhanced store patronage. Whereas this has been based on studies undertaken in developed economies and among high and middle level consumers, little has been done on retail store sector in low income countries like Uganda.

Most super markets in Uganda have registered high rate of customer turnover (Uganda Retailers and Wholesalers Association, 2014). It is not clear whether this can be attributed to lack of consideration to retail atmospherics, perceived service quality and customers' socio economic background which greatly influences their patronage of the retail stores. The retail sector in Uganda is losing ground to foreign supermarkets with better atmospheric cues.

1.3 Purpose of the study

The purpose of this study was to investigate the extent to which retail store atmospherics, perceived service quality are associated with retail store patronage among consumers in a low income country context.

1.4 Objectives of the study were:

1) To analyze the relationships between retail atmospherics and retail store patronage.

2) To analyze the relationships between retail atmospherics and perceived service quality.

3) To analyze the relationship between perceived service quality and retail store patronage.

4) To analyze the mediating effect of perceived service quality on the relationship between retail atmospherics and retail store patronage.

1.5 Research Questions were:

1) What is the relationship between retail atmospherics and retail store patronage?

2) What is the relationship between retail atmospherics and perceived service quality?

3) What is the relationship between perceived service quality and retail store patronage?

4) What is the mediating effect of perceived service quality on the relationship between retail atmospherics and retail store patronage?

1.6 Significance of the study

1) To retail store customers, this study will help them benefit from improved retail services that can help them improve their living standards and derive satisfaction they desire.

2) To retail store managers in the retail sector, the study will help them develop retail marketing strategies that fit developing economies with low income levels.

3) The study will also help retail store entrepreneurs and managers seeking to initiate organizational change programs directed at improving retail marketing environment that lead to store patronage.

4) To academicians, this study will add to the body of knowledge on retail store patronage and its antecedents in Uganda.

1.7 Scope of the Study

1.7.1 Geographical Scope

The study was carried out in selected super markets in Kampala between the years 2013 until about June, 2015. Kampala was chosen as suitable for the research because it has a number of supermarkets, both local and foreign which provided the required samples for the study. Super market shopping is basically an urban behavior, a factor that also explains the concentration of retail stores around the city/urban centers.

1.7.2 Subject /Conceptual scope

The study focused on retail atmospherics (ambience factors, design factors, and social factors), perceived service quality, and retail store patronage.

1.8 Conceptual Framework
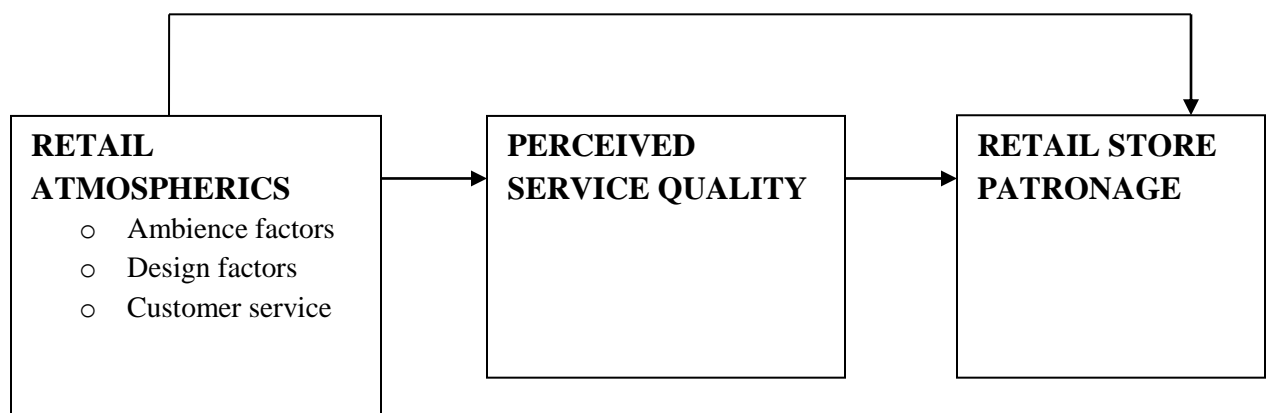
Figure 1: **Conceptual Framework**

Source: Adapted from Ray and Chiagouris (2009) and Kaul (2006).

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1.8.1 Description of the Conceptual Framework

The model above shows that retail atmospherics influences retail store patronage. It also shows that retail atmospherics have capacity to influence customers' perception of service quality, perceived service quality influences retail store patronage.

CHAPTER TWO

LITRATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the variables under study guided by the conceptual framework. The aim is to examine existing literature on the variables under study to form a basis of discussion on findings on practical aspects of the variables.

2.2 Retail store atmospherics

Retail atmospherics, sometimes also known as the buying environments is a set of purposefully designed cues aimed at producing specific emotional effects in shoppers and enhancing their purchase probability and subsequent patronage of retail stores (Li, Kim & Lee, 2009). In explicit and implicit ways, store atmospherics contribute to and communicate brand identity and retail image to consumers.

Continuous competition for market shares in the retail environment have led to the emergence of various store atmospheric cues to lure customers into selecting them and increasing the frequency of their visits (Pettersson, Olsson & Fjellström, 2004). The emerging retailing conditions have put both retailers and shoppers in a flux with no clear idea as to what may extend value addition for long profitability and growth (Sinha & Banerjee, 2004b). Store atmospherics, or the retail site and its physical design and décor therefore play an important part in the creation of spectacle (Penaloza, 1999).

Ambient factors are an important element of retail store atmospherics. They are psychogenic variables which are highly impalpable and are therefore hard to quickly

remember and that these variables (scent, color, music and lighting), are critical in influencing and shaping behavior while the individual will is in the store and that the very moment the individual leaves the store, they cease to influence his or her future store patronage choice or purchase behavior (Masson, Morris & Wilkinson, (1993). A store that induces feelings of alertness and excitement in customers leads to: (1) more enjoyment when shopping in the store, (2) increased time spent browsing and exploiting the store`s offerings, (3) more interactions with the store personnel, (4) a greater propensity to spent more money than initially budgeted and (5) an increased likelihood of returning to the store future patronage (Masson, Morris & Wilkinson, 1993).

Retailers should therefore advocate for the creation of retail store facilities that are devoid of unpleasant atmospheric cues in order to create favorable conditions that can enhance positive customer perceptions, attitudes and behaviors for future patronage (Lovelock & Wirtz, 2011). They should appropriately mesh retail atmospheric cues (light, music, scent, and odor) so that they are able to appeal to the target market.

2.3 Perceived service quality

Perceived service quality (PSQ) is defined by the subjective response to the discrepancy between each customer's expectation of service and his/her perception of the service performance (Gronroos, 1982; Zeithaml, 1988). Expectations composed of normative (from an excellent service provider), predictive (from a given service provider in a given situation), and minimal (from a service provider at the lowest acceptable level) are beliefs concerning the level of service delivered by the service provider (Hamer, 2006). Knowing how customers perceive the service quality and expecting how those perceptions influence

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their behavior towards the product are critical issues in customer evaluation of service quality.

Perceived service quality has been studied as a critical factor of business performance and a company's long-term viability (Carrillat, Jaramillo, & Mulki, 2007). It has been suggested as the main factor in sustaining an advantage in a strong competitive retail environment. There appears to be perpetual interest in customer satisfaction as a means of evaluating performance.

According to Abu (2004), a well configured store layout that is easy to navigate will reduce a shopper's search time. Furthermore, Fisher, Krishnan, & Netssine, (2006) suggest that customers often do not find the products they seek, even if these products are within the store, due to poor store layout and that this leads to poor perceptions and the consumer turning to a competitor for solutions. The mediating effect of perceived service quality in gaining increased retail store patronage is therefore important (Carrillat, Jaramillo & Mulki, 2007).

Research in consumer perception indicate that high customer satisfaction ratings are widely believed to be a leading indicator of a company's financial health achieved through repeat visits and thus patronage (Kotler & Keller, 2011). Retailers should therefore recognize that customer satisfaction plays a key role in a successful business strategy (Gomez, McLaughlin & Wittink, 2004) and it is therefore crucial for managers to understand what drives customer satisfaction and thus retail patronage (Martinez-Ruiz *et al*, 2010). Cracking this code can lead to higher levels of customer retention, increased sales and, in turn, improved profits (Davies, Brady & Hobday, 2006).

2.4 Retail store patronage

Patronage behavior is conceptualized as a multifaceted construct that includes consumers' future intentions to shop at any retail store, to tell a friend about the store to attend in-store presentation, or demonstration; and to participate in a store adventure such as a company-sponsored and led fundraising drive for a noble cause (Subhashini & Kaul, 2006). Retail store patronage is defined as how individuals choose a retail store for shopping (Subhashini & Kaul, 2006). It succinctly underlines the reasons for patronizing the store, that is, elements of a retailer's merchandising mix that are critical in customer' patronage decision (Arnold, Oum & Tigert, 1983; Woodside, 1973). Retail store patronage in this study mean two things: (1) store choice (that is, a consumer's choice to patronize a particular store) and (2) frequency of visit (that is, how often a customer patronizes that store). It is defined and measured in behavioral terms with a focus on whether the customer chooses and spends a large amount of his shopping budget at a particular store and actually buys a larger volume. It also asks whether consecutive trips made to the store is significantly more than consecutive runs made to competing stores (Subhashini & Kaul, 2006).

Retail store patronage is one of the most important drivers of business growth because profitable business growth cannot be achieved without customer repeat purchases which results in patronage (Anic, 2006 & Ray, 2009). Although the concept of retail store patronage has been investigated a lot during the past few decades, how customers can develop true patronage and store loyalty behavior still remain un answered (Anic, 2006). An understanding of how customers develop true patronage and store loyalty is important

to managers. In order to improve store performance, marketers should be interested in retail store patronage drivers and their practical usage (Anic, 2006).

Successful retailers are continuously looking for ways to attract new customers and boost the loyalty of their customer base. Boosting the loyalty of existing customers is important because it is cheaper to handle existing customers than to acquire a new customer (Ray, 2009; Sreedhara, Babu & Nagendra, 2010).

Previous marketing studies show that a loyal customer is less price sensitive (Tsai, Tsai & Chang, 2010), and more willing to recommend the store to other people, thus bringing in new customers to the business (Bove, 2009; Reichheld, 2003; Tsai, Tsai & Chang, 2010). It is also widely accepted that acquiring new customers can cost five times more than retaining existing customers (Allan, 2008). Customer profitability rate tends to increase over the life of a retained customer, thus reducing customer churn by 5% can increase profits 25% to 125% (Emmett, Murphy & Murphy, 2002). The probability of selling to an existing customer is 60% to 70%, while the probability of selling to a new prospect is 5% to 20% (Alexandrea & Breski, 2013) and most of all, an understanding of patronage behavior is a critical issue for retail managers because it enables them to identify and target those consumers most likely to purchase, and seventh, in Uganda, retail stores are increasingly creating benefits to the economy through employment creation and tax contribution to the government.

Therefore, it is important that marketing practitioners are encouraged to consider the synergistic contribution of retail atmospheric variables, customer demographics and other

factors in order to create a comprehensively appealing environment for patronage (Gilboa & Rafaeli, 2003).

"A store that induces feelings of alertness and excitement leads to : more enjoyment when shopping in the store, increased time spent browsing and exploiting the store's offerings, more interactions with the store personnel, a greater propensity to spend more money than initially budgeted and an increased likelihood of returning to the store (future patronage)" (Masson *et al.,* 1993). This study therefore synthesizes previous empirical studies through a formal, critical review of retailing literature. Various predictors (such as retail atmospherics, customer perception of service quality) are strongly related to shoppers' retail choice, whereas others such as store attitude and store image are important antecedents of shopping frequency. However, the relationships between the predictors and retail patronage vary according to the study characteristics.

2.5   Retail atmospherics and retail store patronage

Retail atmospherics is an important determinant of retail store patronage and marketing success (Birtwistle & Shearer, 2001; Newman & Patel, 2004). Retail atmospherics can influence the shoppers' orientation resulting in different behaviors such as repeat purchase, more volumes of commodities purchased and recommending the store to friends (Scarpi, 2006). Components of store atmospherics can have a direct influence on shopping behaviors in different contexts.

There are three broad categories of atmospheric cues commonly referred in retailing studies (Turley & Milliman, 2000). These are: design factors (e.g. space design and allocation,

grouping, traffic flow, racks and cases, architectural style and surrounding stores as well as general interior cues, ambient factors (e.g. lighting, color schemes, music, scent/odor), and social factors (e.g. employee characteristics, uniforms, crowding and privacy). When a customer enters a store he/she does not experience the music in isolation, he/she does not smell the scent without seeing the colors as well, he/she does not walk on the floor-covering without feeling the ambient temperature. Ambient factor refers to background characteristics such as temperature, lighting, noise, music and ambient scent while design factors includes stimuli that exist at the forefront of our awareness such as architecture, color and materials; and social factor refers to the social conditions represented by the number, type and behavior of customers and employees (Li, Kim & Lee, 2009). The typical retail store customer experiences degrees of all these and other stimuli as an ongoing and collective experience. Certainly, parts of the store may smell different or not smell at all (Parsons, 2009), but the sense of smell is present throughout the store visit as he/she shapes his mental evaluation to patronize the store.

In another related study, Babin and Attaway, (2000) examined whether patronage is perhaps in part a function of affect created by store atmospherics, with others looking at the enjoyment of the shopping experience (as created by the environment) influencing re-patronage (Ogle *et al.*, 2004; Hart *et al.*, 2007; Michon *et al.*, 2008; Joseph-Mathews *et al.*, 2009; Seock, 2009).

Previous researchers have examined the influence of store atmospherics on consumer behavior. For example, Kotlee & Garry, (2010) explored the role of retail store atmospherics in contributing to consumers' purchase and store patronage intentions. They

found out that stores with desirable ambient characteristics and better customer service attracted more customers and reported customer profitability above those with weak atmospheric cues. Other researchers like Levy & Weitz, (2009) have explored how consumer behavior is influenced by consumer impressions of the overall store environment as well as their responses to individual design characteristics such as color scheme, layout, design, or background music. These variables create a 'stay longer' effect in customers. In line with this, Thang & Tan, (2003) found that consumers' holistic attitudes about a given store atmosphere influences their overall preference for that store. For example, Areni & Kim, (1994) establish a link between the brightness of lighting and increased examination of merchandise, while Milliman, (1982) shows that slower music encourages shoppers to spend more time in-store. Similarly, d'Astous, (2000) suggests that loud music results in less time spent in-store. The problem with these studies is that they treat the stimuli (and resultant response) as isolated events directed solely at behavior, whereas the store atmospherics provides a holistic cognitive experience. It is therefore more appropriate to examine the effects of a store atmospherics or environment when the shopper is presented with all the sensory stimuli as the single stimulus approach may be inappropriate to determine the effect of atmospheric cues on customer patronage behavior because a store's image is based not only upon its physical environment, design and merchandising activities (Schiffman and Kanuk, 2007), but perceived service quality also enhances consumer satisfaction and make consumers' shopping experiences more pleasant (Miranda *et al.*, 2005).

A contrasting view states that retail store patronage is attributed to some other factors other than retail atmospherics. These factors are store layout and services offered (Devlin, Birtwistle, & Macedo, (2003) and are important store selection criteria for patronizing a retail store as they save on consumer time yet little has been done to examine the effect of store layout on consumer retail store patronage (Turley & Milliman, 2000). These factors are either store related factor or product related factors. Product range is considered a very important factor in the customer retail store choice as an appealing merchandize selection is a key reason that a particular retail store is patronized (Paulins & Geistfield, 2003).

Social factors as constituent of retail atmospherics have the particular potential to make an impact in retail settings, which comprises salespeople and customers. For example, researchers have shown that both people's physical appearance and non-verbal communication such as smiling and gestures in a retail setting have an effect on consumers' retail store patronage (Kim, Ju, & Johnson, 2010). Additionally, Fowler, Wesley & Vazquez, (2007) asserted that the human dimension in retail environments is the most important element, as poor customer-salesperson encounters can terminate consumers' shopping experiences. It is therefore imperative to understand the human variables in retail environments as they are a critical factor and affect consumers' perceptions of service quality and subsequent retail store patronage. The important role of social factors in retail store patronage notwithstanding, retail store managers should pay more attention to human factors as they are considered to be complicated and less easily controllable than ambient and design factors, such as music, scent, and layout (Lee & Dubinsky, 2003).

Regarding the effects of retail crowding, past research works show that social factors influences consumers' affective responses and retail store patronage intention (Jones, Vilches-Montero, Spence, Eroglu & Machleit, 2010; Pan & Siemens, 2011). Most existing studies deal with the negative effects of social factor, particularly crowding on consumers' affective responses (Eroglu *et al.*, 2005a) but others have shown that consumers' perceptions of crowding increases their negative emotions (Jones *et al.*, 2010). In the supermarket retail environment, positive feelings such as pleasure and dominance can be evoked in customers when they perceive crowding (Li *et al.*, 2009).

A number of studies on retail atmospheric cues show that an effectively managed retail environment induces favorable attitudes towards patronizing a retail store and vice versa (Bitner, 1992; Gilboa & Rafaeli, 2003; Lovelock & Wirtz, 2011). Retailers therefore need to understand the needs of their target markets as the unique benefits that their stores provides are more important in creating a favorable store image and creating patrons than offering a wide product range (Schiffman & Kanuk, 2007).

2.6 Retail atmospherics and perceived service quality

A retail store is considered to be a place for socializing and incorporated social interaction between sales people and their customers (Hu & Jasper 2006). Retailers manipulate the social cues in retail atmospherics by varying the level of socially oriented in-store graphics such as social image display versus department name display and personalized customer service. The results show that consumer' attitudes towards the merchandize, service quality, and their emotions towards the retail stores are enhanced when such social cues are present.

Customers' evaluations of value and satisfaction with their retail store experiences are highest under incongruent conditions with respect to music and density (Eroglu *et al.*, 2005b). Ambient factors that bear on olfactory stimuli such as scent and freshness as well as and tactile stimuli such as temperature may help in creating a holistic atmosphere in a retail store thereby helping customers form a good impression of the store for future experience (Ozedmir & Hewett, 2010). These cues create holistic atmosphere in a retail store through aesthetically sensitive dispositions, signal store's merchandize quality, clientele, comfort, and overall store image through associations in the consumer memory thereby beginning the patronage journey.

Design factors can create attraction and uniqueness to appeal to people at a focal point by signaling a pleasant and worthwhile experience. The design aspects of retail stores are an ideal convergence of artistic ideas, instinct, and business in a planned and profitable manner.

According to Din, (2000), retailers need to create or find out new environment in which space, cost and flexibility are designed in such a way that they effectively communicate brand value and attract consumers. Store's layout may communicate value by increasing search efficiency, comfort, inventory capacity, product quality, price, product displays, etc. Signage and window dressing is the face index of the store that can attract or repel customers from the store. Customers may develop associations of trust, value, quality of goods and services, price, warranty and guarantee, etc as they come across visuals such as signage, window dressing, logo, etc based on past shopping experiences. Signs and graphics used in the store act as bridge between the merchandise and the target market.

Design factors create theatrical effect, add personality, beauty, and communicate store image. Ozedmir & Hewett, (2010) state that in collectivist cultures, personal relationship and socialization are important in determining perceived service quality. Retail store managers can train their frontline staff to show warmth and sincerity towards consumers. This can build trust with consumers and influence retail store patronage.

Ozedmir & Hewett, (2010) also found that retail atmospherics generates an emotional response in shoppers and can positively influence both the excitement consumers feel and their desire to stay in a retail store. They suggest that all environmental factors, with the exception of the ambient lighting and temperature, are positively associated to excitement or desire to stay at the mall, or to both. The effect of ambient scent in a retail store has been underscored by Allard, Babin, & Chebat, (2009) who discovered that customers' perception of retail store atmospherics and product quality had a positive differential effect on consumer spending and repeat visits/patronage of then store.

The relationship between music and the perception of service quality is ambivalent. Pleasant music by contrast to unpleasant music is associated with longer consumption time and more desire to affiliate with the service provider (Ozedmir & Hewett, 2010; Allard et al., 2009). It can therefore be concluded that slow, popular or fast classical music both influences pleasure and the perception of service quality among retail store customers (Sweeney & Wyber, 2002). However, there seems to be no link between store musical cues to consumers' perception of interpersonal service quality. It was found that music instead reduces shoppers' perceptions of monetary and psychic costs (Baker, Parasuraman, Grewal, & Voss (2002).

A well designed store is easy to navigate and reduces customer search time (Abu, 2004). Furthermore, customers often do not find the products they seek even if these products are within the store due to poor store design and this leads to poor perceptions and lack of patronage (Fisher et al., 2006). Perceptions of retail store appearance provide tangible clues about service quality and it has been noted that the appearance of the store is widely acknowledged as an essential determinant of the shopping experience (Dabholkar & Zhao, 2010).

2.7 Perceived service quality and retail store patronage

Perceived service quality has been defined as the consumer's judgment of, or impression about, an entity's overall excellence or superiority (Baker, Parasuraman, Grewal & Voss, 2002). The foundation of service quality measurement is the Gap model, which suggests that the difference (gap) between expectations and actual performance drives the perception of service quality. Expectations act as a standard of reference against which performance can be judged. Although commonly applied in studies of service marketing, the Gap approach to quality measurement has been the subject of substantial criticism and debate. For example, Babakus et al., (2004) suggest that the measurement of expectations adds limited information beyond what is gained from measuring service performance alone. Similarly, (Cronin & Taylor, 1992) suggest that researchers should discard expectation measures when evaluating service quality perceptions (Dabholkar, Thorpe & Rentz, (1996). It would then be important to discard expectations in favor of performance measures only when modeling service quality perceptions.

Application of the SERVQUAL scale brings out four factors in the retail clothing sector (Gagliano & Hathcote, 1994). Furthermore, service quality was found to be uni-dimensional when applying the five dimensional SERVQUAL scale (Brown, Churchill & Peter, 1993). It is generally agreed that service quality is a multidimensional, higher-order construct that may comprise several overarching or primary quality domains that reflect elements of technical, functional and environmental quality and these aspects influence certain behavior; patronage or lack of it alike (Gronroos, 1984; Parasuraman, Zeithaml & Berry, 1988; Brady & Cronin, 2001).

Consumers' perceptions of the overall store environment in terms of variations in color, display, accent trim, layout, and general organization of the merchandise indirectly influence store patronage intentions (Baker, Parasuraman, Grewal, Voss, 2002). Specific features of the store environment that have been found to shape consumer behavior include lighting (Areni & Kim, 1994; Herbert, 1997), merchandise displays (Fiore, Yah, & Yoh, 2000), and music (Baker et al., 2002). These works suggest that when consumers perceive a store environment or element of that environment positively, they are more likely to remain in a store for a longer period of time to touch or examine merchandise and to indicate an intention to purchase (Fiore et al., 2000).

Store loyalty is an extremely important financial consideration for all supermarkets (Knox & Denison, 2000), as acquiring new customers is expensive due to advertising, promotional, and start-up operating expenses. Likewise, loyal customers exhibit increased repurchase intentions, a decrease in price sensitivity, and positive word of mouth communications (Varela-Neira, Vazquez-Casiellesa, & Iglesias, 2010).

Retail stores have evolved from providing only physical products that address consumers' needs (Pan and Zinkhan, 2006) to offering a solution centre that integrates the sale of both physical products and value-added services to attain competitive advantages (Davies et al, 2006). Cracking this code can lead to higher levels of customer retention, increased sales and, in turn, improved profits   (Baker et al., 2002).

Perceived Service Quality by the customer has been suggested as the main factor in sustaining an advantage in a strong competitive retail environment as demonstrated by (Chang & Yeh, 2002); that a retail store's competitive advantage is determined by the customers' perception of service quality. Retail store service is one of the foremost reasons for choosing a supermarket (O'Connell & Williams, 2005). According to numerous retail store patronage studies, supermarket service quality has an influence on customers' patronage (Prayag, 2007), customers perceived value and satisfaction (Chen, 2008; Park, Robertson, & Wu, 2004). Consistent with previous studies, retail stores which gives customers value – added customer service as compared to the perceived service from competitors would be a market leader (Chen, 2008; Prayag, 2007).

Several studies have explored the important role of perceived service quality within the retail sector and specifically within the supermarket sector. In similar studies on the effect of perceived service quality on patronage, (Vàzquez, Rodrguez-Del Bosque, Ma Daz, & Ruiz, 2001) found that design and social factors in terms of personal interaction and problem solving are prominent in determining retail store patronage (choice of a particular store and frequency of visits).

The effect of perceived service quality on consumer loyalty and retail store patronage was examined by Chao *et al*., (2007). It was found that consumer orientation and interpersonal relationship (social factors) play an important role in enforcing customer loyalty and that customer orientation together with interpersonal relationship act as moderators in strengthening customer loyalty manifested in retail store patronage.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in this study. It outlines the research design, study population, sampling procedure, source of data, methods of data collection, processing and analysis, and measurement of the study variables.

3.2 Research Design

The study adopted a cross sectional research design. This is because the study was descriptive with respect to the independent and mediating variables and their effect on the dependent variable at a given point.

3.3 Study Population

The study population was 136,270 reward card holding customers who patronize the selected retail stores (Capital Shoppers, Nakumatt, Uchumi & Quality supermarket customer databases, 2014). Customers formed the unit of analysis.

3.4 Sampling procedure

This study adopted a stratified sampling method due to the large population, diversity and mobility of respondents. The sample size for the study was 1504 reward card holding customers conveniently sampled basing on their availability and willingness to participate in the study. This was guided by Krejcie & Morgan (1970) Sample Size determination table as shown in table 1.

Table 1: Frequency distribution of customers by their supermarket.

Supermarkets	Study population	Sample size
Capital Shoppers	80000	384
Nakumatt	6870	364
Quality Super market	20000	377
Uchumi	29400	379
Total	**136270**	**1504**

Source: Capital Shoppers, Nakumatt, Uchumi & Quality supermarket Customer databases, (2014).

3.5 Measurement

The measurement scales for the study variables were adopted from previous research studies. Retail atmospherics covered ambience, design and customer service factors which were adopted from Marzursky & Jacoby (1986), and Janiszewski (1995). Perceived service quality dimensions were dependability, tangibles and reliability; adopted from the 21-item servqual instrument by Parasuraman etal, (1988). Retail store patronage dimensions were adopted from Morgan & Hunt (199, Grayson & Ambler (1999), and Sinha & Banerjee (2004).

All the items in the measurement instrument were anchored on a 7-point scale ranging from strongly disagree as a response of 1 to strongly agree as a response of 7. The questionnaire on the dependent variable; retail store patronage was measured on level of importance ranging from extremely unimportant to me as a response of 1 to extremely important to me as a response of 7.

3.6 Data sources and collection procedure

Primary data was directly collected from respondents using self administered questionnaires. The respondents were customers who visit the supermarkets under study.

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3.7 Data Processing and Analysis

The data collected was edited and coded. Descriptive and inferential statistics were computed with the help of SPSS version 20.0. Descriptive statistics was used to describe the sample using cross-tabulation. For inferential statistics, correlation was applied to establish the relationships between the study variables. Other statistical tools such as regression were used to establish which variable had the greatest influence on the dependent variable. A mediation test was conducted to establish if the mediator; perceived service quality mediates the relationship between retail atmospherics and retail store patronage and this was found to be a partially valid mediation in the case of supermarkets in Kampala.

3.8 Reliability and validity

A pretest of the research instrument was done to determine reliability and validity. Reliability test was carried out to check for consistency of the research instruments.

3.8.1 Reliability analysis

Table 2 shows results of the reliability analysis after a pretest of the research instrument.

Table 2: Reliability analysis

Variable	Cronbach's Alpha	Number of Items
Retail Atmospherics	.702[a]	24
Perceived Service Quality	.898[b]	13
Retail Store Patronage	.750	28

[a]One item deleted   [b]Two items deleted

Results in table 2 shows that all items measuring retail store patronage were found to be reliable since their Cronbach's alpha statistic was above 0.70 according to the threshold value suggested by Hair *et al.*, (1998). However one item under retail atmospherics and two under perceived service quality were deleted at pilot stage because when they were part of the measurement, their alpha values were lower than 0.70, but when deleted, their alpha values increased to 0.70 to achieve the reliability.

A validity test was also done with the help of marketing experts and practitioners to determine whether the instrument covered the content that it was supposed to measure. The questionnaire was then checked for accuracy and completeness in line with Ssekaran, (2000) that research instruments should be valid and able to yield similar results at all times.

3.9 Ethical considerations

Ethics was a key consideration in the design and operationalization of social research. Two fundamental ethical guidelines are that participation in social research should be voluntary and that no harm should come to research subject (Earl, 2007). In order to uphold ethical research principles, the researcher obtained an introductory letter from Makerere University Business School and sought permission from respective Supermarket management to undertake the study in those supermarkets. The researcher maintained the confidentiality and anonymity of the respondents; participation in the study was based on availability and willingness of the respondents. The research was purely academic and not used to provide information for competitors to gain unfair advantage over the selected supermarkets.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the analysis of the data and its interpretation. The first section presents the descriptive statistics of the frequency distributions of the supermarket customers. The variables captured in the distribution analysis included gender, age, marital status, occupation, education level, monthly household income, household size, approximate distance travelled to the supermarket and mode of transport used to and from the supermarket.

The second section presents the inferential statistics for the various analyses involving the study variables, ranging from univariate, bivariate and multivariate. These include factor analysis, correlation analysis, regression analysis and test for mediation.

This presentation, interpretation and findings were guided by the following research objectives:

1) To analyze the relationships between retail atmospherics and retail store patronage.

2) To analyze the relationships between retail atmospherics and perceived service quality.

3) To analyze the relationships between perceived service quality and retail store patronage.

4) To analyze the mediating effect of perceived service quality on the relationship between retail atmospherics and retail store patronage.

4.2 Background characteristics of the respondents

This section presents the background characteristics of the respondents that were studied.
These characteristics are classified as gender, age, education level, marital status,
occupation.

Table 3: Background characteristics of the respondents

Variable (N=837)	Category	Frequency	Percent
Gender	Male	391	46.7
	Female	446	53.3
Age	Below 19 years	37	4.4
	20 - 29 years	273	32.6
	30 - 39 years	300	35.8
	40 - 49 years	167	20.0
	50 - 59 years	40	4.8
	Above 60 years	20	2.4
Marital status	Married	287	34.3
	Single	354	42.3
	Separated	133	15.9
	Widowed	63	7.5
Education	Secondary	82	9.8
	Diploma	191	22.8
	Undergraduate degree	413	49.3
	Masters degree	143	17.1
	PhD.	8	1.0
Occupation	House wife	81	9.7
	Paid employment	375	44.8
	Business person	253	30.2
	Retired civil servant	44	5.3
	Student	80	9.6
	Other	4	.5

Source: Primary data, 2014

Most respondents that took part in the study were aged between 30 – 39 years representing
35.85% followed by the 20 – 29 age bracket representing 32.6% and 40 – 49 age brackets

that constituted 20.0%. This implies that majority of the shoppers were either in their youthful age or post youth stage.

Regarding the education level of the respondents, majority were undergraduate degree holders (49.3%), followed by diploma holders (22.8%). This education level is high enough for the respondents to read and understand the items on the questionnaire and subsequently provide relevant responses to the questions.

The study was dominated by respondents in paid employment (44.8%) and Business person (30.2%).

4.3 Other background characteristics of the respondents

In order to understand other background characteristics of supermarkets customers that could probably influence their retail patronage, the study analyzed the monthly income of the respondents, their house hold size, approximate distance of the supermarket from their places of residence and the mode of transport they use to come to the supermarket. The descriptive analysis is as presented in table 4.

Table 4: Other background characteristics of the respondents

Variable (N=837)	Category	Frequency	Percent
Monthly Income ('000')	Less than 99	29	3.5
	100 – 149	113	13.5
	150 – 199	165	19.7
	200 - 1,200	276	33.0
	1,210 – 1500	126	15.1
	Above 1,500	128	15.3
House hold size	1 – 3	266	31.8
	4 – 6	207	24.7
	7-9	139	16.6
	10 – 12	97	11.6
	13 – 15	68	8.1
	Above 15	60	7.2
Approximate distance	Less than 1 KM	178	21.3
	1 - 2 KM	279	33.3
	3 - 4 KM	116	13.9
	5 - 6 KM	160	19.1
	Above 6 KM	104	12.4
Mode of transport	Two wheeler	53	6.3
	Public transport	417	49.8
	Personal car	295	35.2
	Company car	56	6.7
	Other	16	1.9
	Total	**837**	**100.0**

Source: Primary data, 2014

The monthly incomes of a significant portion of the shoppers that were studied ranged from 150,000 and above with majority earning between 200,000 and 1,200,000 representing 33.0% followed by those in the 150,000 – 199,000 bracket, then those above 1,500,000 constituted 15.3% and 1,210,000 – 1,500,000 constituted 15.1 %. This indicates that all income classes did shop from the supermarkets that were studied. Further still majority of the shoppers used public transport (49.8%) followed by those with personal cars (35.2%).

Regarding the household size of the shoppers, most of them (31.8%) were in the nuclear kind of setting that is 1–3 people, followed by 24.7% with between 4–6 people in the household. This is an indication that most customers of these supermarkets were those with small families.

Majority of the respondents resided close to the supermarkets, specifically 33.3% of them resided between 1–2 KM from the supermarkets, followed by 21.3% who resided less than 1 KM from the supermarkets.

4.4 Factor analysis

Factor analysis of all the study variables was carried out to identify structure of each of the variables of the study. The analysis employed the principal components method specifically the Varimax method in which only those factors with an Eigen value greater than one unit were retained. This is in accordance with Guttman-Kaiser rule 1954 (Fleming, 2012).

4.5 Factor structure of retail atmospherics

Retail atmospherics is made up of three main constructs, namely; ambience factors, design factors and customer service each measured by a number of items. The factor structure of retail atmospherics presented in table 5 reveals the importance of the component parts in it and weights of the items on each construct.

Table 5: Factor structure of retail atmospherics

	Design	Ambience	Customer service
The size of corridor in the store facilitates my free and easy movement within the shelves	.848		
Store lay-out facilitates my free interaction and communication with in-store guides.	.830		
The size of this store encourages me to buy from here	.822		
A safe store environment influences me to shop	.704		
The parking space here influences my shopping at this retail store	.695		
The store has creative display of merchandize that attracts me to shop here often	.678		
The store lighting increases my attraction to goods in this supermarket		.796	
The background music at this store is cool and influences my choice and continued coming		.768	
Retail store décor influences my purchase decisions in this store		.727	
This store has uniform levels of lighting that enable me to examine products and sales staff well		.708	
This store's atmosphere influences my impulse buying		.665	
Pleasant store smell (ambience) attracts me to this store		.587	
Store employees act in a mutually acceptable manner			.902
A shop environment that relates to my esteem			.834
Staff here have integrity in handling my need s			.824
The staff in this retail store offer me personal attention			.728
The store people are courteous, greet me, bid me farewell, and ask me to come again			.618
Eigen value	*6.68*	*3.559*	*9.409*
Variance (%)	*27.833*	*16.73*	*10.039*
Cumulative variance (%)	*27.833*	*44.56*	*54.6*

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations.

Source: Primary data, 2014

As seen from table 5, design factors was the most significant factor of retail atmospherics explaining 27.8% variance, followed by the ambience , 16.7% and customer service at 10.1% variance.

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Of the scales for design factors, the salient items included; the size of corridor in the store which facilitated free and easy movement within the shelves, store lay-out that facilitates free interaction and communication with in-store guides and the size of the store that encourage customers to buy from the supermarket.

The ambience factor was underscored majorly by store lighting which increases attraction to goods in this supermarket, background music and retail store décor.

Customer service was majorly perceived in terms of: store employees acting in a mutually acceptable manner, the shop environment that relates to customers' esteem and supermarket staff having integrity in handling customer needs.

4.6 Factor structure of perceived service quality

The study conceptualized perceived service quality to be comprised of dependability, reliability and tangibles. The factor structure of perceived service quality presented in table 6 reveals the importance of the factors to explaining perceived service quality and weights of the items on each construct.

Table 6: Factor structure of perceived service quality

	Tangibles	Reliability	Dependability
This retail store's equipments and facilities are easy to use	.862		
This supermarket's equipment and facilities are generally clean.	.835		
This supermarket has smart and professional employees	.805		
This supermarket's equipment, fixtures and fittings are modern	.541		
I feel safe and secure while shopping in this supermarket		.786	
I am satisfied with the service delivery levels at this supermarket.		.758	
When this supermarket promises to provide a service, it does so.		.702	
The staff of this supermarket have the knowledge to answer questions			.518
The staff of this retail store have the technical and person skills to perform the service effectively			.486
The employees of this retail store instills confidence in their customers			.481
Employees of this retail store show dependability in handling service problems			.451
Eigen value	*3.733*	*2.953*	*1.999*
Variance (%)	*24.89*	*19.685*	*13.322*
Cumulative variance (%)	*24.89*	*44.575*	*57.897*

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 7 iterations.

Source: Primary data, 2014

The hierarchy of importance of the factors of perceived service quality is such that tangibles was most vital aspect, followed by reliability and dependability with percentages of variance of 24.9%, 19.7% and 13.3% respectively. Much as the nature of services is that they are intangible supermarket managers should endeavor to cannibalize their service offerings to have a lasting impression in the minds of their customers.

The salient features of tangibles included; ease of use of retail store equipment and facilities, general cleanliness of the retail store equipment and facilities and the smart and professional employees.

Reliability was underlined by the feeling of safety and security while shopping, satisfaction with the service delivery levels and fulfillment of promised service.

Dependability was best experienced by; the staff having the knowledge to answer questions, technical and person skills to perform services effectively, and the supermarket employee's ability to instill confidence in the customers.

4.7 Factor structure of retail store patronage

Retail store patronage comprised of four components namely; choice factors, frequency of visits, volume of purchase and intention to recommend. It was therefore pertinent to perform a factor analysis in order to determine the weight or level of importance of each of the components at explaining the main variable.

Table 7: Factor structure of retail store patronage

	Choice factors	Volume of purchase	Frequency of visit	Intention to recommend
Availability of credit	.697			
Shopping convenience	.688			
Display and layout	.655			
Home delivery	.621			
Additional services	.612			
Promotion	.603			
Return policy	.595			
Easy to find product	.554			
Convenient location	.533			
I often buy large volume of merchandise		.798		
I often buy from this store because it has packaging sizes that meet my purchase needs		.673		
In order to identify myself with this store			.780	
It has an assortment of children collection			.762	
Every time I think of shopping, I prefer to come to this store			.731	
I Keep abreast with new arrivals of assorted customer goods			.638	
Face-to-face interaction with the supermarket staff is important to me			.576	
Shopping together with my friends from this store is important to me				.717
This store reward me whenever I convince others to shop here				.746
Past experiences influences my continued coming to this store				.639
Eigen value	*4.359*	*4.227*	*3.603*	*3.481*
Variance (%)	*15.568*	*15.095*	*12.868*	*12.433*
Cumulative variance (%)	*15.568*	*30.663*	*43.531*	*55.964*

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 8 iterations.

Source: Primary data, 2014

Note: The degree of importance is closely associated.

Choice factors were the most important aspect of retail patronage with 15.6% variance

followed by volume of purchase (15.1%), frequency of visit (12.9%) and intention to

recommend (12.4%). The most prominent choice factors include; availability of credit, shopping convenience, display and layout and home delivery. Volume of purchase is most exemplified by buying large volume of merchandise and stores having packaging sizes that meet my purchase needs of the customers. Frequency of visit is indicated by the need by customers to identify themselves with the stores, stores having an assortment of children collection. The items underlying intention to recommend are the importance of shopping together with friends from the same store and the stores rewarding customers whenever they convince others to shop there.

4.8 Correlation analysis

A correlation analysis was undertaken to determine the relationship between variables as specified in the objectives of the study.

The results are summarized in table 8.

Table 8: Descriptive and correlation analysis

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
Retail atmospherics (1)	**6.01**	**0.61**	1												
Ambience factors (2)	5.88	0.82	.92**	1											
Design factors (3)	5.90	0.92	.91**	.85**	1										
Customer service (4)	6.25	0.60	.43**	.15**	.09*	1									
Perceived service quality (5)	**6.18**	**0.47**	**.23****	0.04	-0.01	.67**	**1**								
Dependability (6)	6.13	0.53	.21**	0.02	-0.03	.65**	.89**	1							
Tangibles (7)	6.24	0.53	.18**	0.02	-0.04	.58**	.92**	.75**	1						
Reliability (8)	6.17	0.53	.24**	.07*	0.06	.56**	.88**	.63**	.73**	1					
Retail Store Patronage (9)	**6.20**	**0.64**	**.37****	.31**	.31**	.24**	**.20****	.15**	.18**	.19**	**1**				
choice (10)	0.00	1.00	.46**	.38**	.37**	.32**	.27**	.21**	.23**	.28**	.42**	1			
Volume of purchase (11)	6.24	0.57	.23**	.19**	.18**	.16**	.18**	.10**	.17**	.20**	.37**	.39**	1		
Frequency of visit (12)	6.23	0.49	.46**	.35**	.35**	.41**	.30**	.22**	.27**	.31**	.64**	.53**	.40**	1	
Intentions to recommend (13)	6.20	0.64	.37**	.31**	.31**	.24**	.20**	.15**	.18**	.19**	1.00**	.42**	.37**	.49**	1

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

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

Source: Primary data, 2014

4.9 The level of retail atmospherics, perceived service quality and retail store patronage

The mean of approximately six (6) points for all the variables and their constructs points to the "Agree" on the scale of the instrument. This therefore implies that the scales were reliable (Mean=6.01, SD=0.61), perceived service quality (Mean=6.18 SD=0.47), and retail store patronage (Mean=6.20, SD=0.64). The standard deviation of less than one unit indicated that the individual responses did not differ substantially from the common view. The findings portray the view that the supermarkets had good atmospherics in all dimensions, the quality of their service was good and that the customers patronized the supermarkets.

4.10 The relationship between retail atmospherics and retail store patronage

Findings in table 8 revealed that there was a significant positive relationship between retail atmospherics and retail store patronage of supermarkets in Kampala (r = 0.37, P≤01). This result is true for all constructs of both variables which imply that customers tend to patronize supermarkets that have good retail atmospherics in terms of their ambience design and customer service and on the other hand customers will shun supermarkets with poor retail atmospherics.

4.11 The relationship between retail atmospherics and perceived service quality

Findings in table 8 showed that there was a significant positive relationship between retail atmospherics and perceived service quality (r = 0.23, P≤ 01). This finding is only true between perceived service quality and only one construct of retail atmospherics, that is; customer service (r = 0.67, P≤ 01). On the other hand retail atmospherics was found to have a significant positive relationship with all constructs of perceived service quality, however the relationship was strongest with reliability (r = 0.24, P≤ 01). These findings imply that the retail atmospherics of the supermarkets was directly associated with perceived service quality by the customers.

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4.12 The relationship between perceived service quality and retail store patronage

Findings in table 8 revealed that there was a significant positive relationship between perceived service quality and retail store patronage (r = 0.20, P≤.01). Further still there exist a significant positive relationship between perceived service quality and all constructs of retail store patronage, and was the case with retail store patronage and all constructs of perceived service quality. This implies that retail patronage of supermarkets in Kampala by their customers is directly associated with the customers' perception of the service quality of the supermarkets.

4.13 Regression Models

The results in table 9 and 10 show the contribution of each of the independent variables to the variation in retail store patronage of the supermarkets in Kampala. The hierarchical model was conducted using forward stepwise, beginning with the demographic characteristics, followed by retail atmospherics and lastly perceived service quality.

Table 9: Model Summary of the Hierarchical model of Retail store patronage

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
						Change Statistics			
1	.162[a]	0.026	0.023	0.64001	0.000	6.934	3	770	0.000
2	.397[b]	0.158	0.153	0.59572	0.131	119.749	1	769	0.000
3	.406[c]	0.165	0.159	0.59359	0.007	6.532	1	768	0.011

Table 10: Hierarchical model: Dependent variable (retail store patronage)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.743	0.116		49.485	0.000
	Monthly Income	0.056	0.018	0.117	3.051	0.002
	Age	0.045	0.024	0.072	1.885	0.060
	Gender	0.08	0.046	0.062	1.725	0.085
2	(Constant)	3.63	0.221		16.412	0.000
	Monthly Income	0.033	0.017	0.069	1.934	0.053
	Age	0.04	0.022	0.063	1.771	0.077
	Gender	0.041	0.043	0.032	0.951	0.342
	Retail atmospherics	0.379	0.035	0.367	10.943	0.000
3	(Constant)	2.994	0.332		9.007	.000
	Monthly Income	0.036	0.017	0.076	2.107	0.035
	Age	0.027	0.023	0.043	1.176	0.24
	Gender	0.059	0.044	0.045	1.345	0.179
	Retail atmospherics	0.359	0.035	0.347	10.148	0.000
	Perceived service quality	0.122	0.048	0.09	2.556	0.011

Dependent variable: Retail store patronage

a. Predictors: (Constant), Gender, Age, Monthly Income
b. Predictors: (Constant), Gender, Age, Monthly Income, Retail atmospherics
c. Predictors: (Constant), Gender, Age, Monthly Income, Retail atmospherics, Perceived service quality

The effect of retail atmospherics and perceived service quality on retail store patronage

Model 1 captures the control variables of the hierarchical model of retail store patronage namely; monthly income, age and gender. Of these characteristics, monthly income had a significant positive effect on retail store patronage (beta = 0.117, p≤ 0.01). This implies that the higher the monthly income of the customer, the more likely they will patronize the supermarkets.

The independent variables in model 1 accounted for only 3% of the variation in retail store patronage (R Square change = 0.023) and were all appropriate predictors at 1% level. (F change = 6.934, p ≤ 0.01).

Model 2 included retail atmospherics on top of demographic characteristics. Introduction of retail atmospherics into model 2 reduced the effect of monthly income to an insignificant level at 5% (beta = 0.069, p≤ 0.05). Further still, retail atmospherics also had a significant positive effect (beta = 0.367, p≤ 0.01) implying that when the ambience, design or customer service of the supermarkets are improved, it leads to an increase in the level of retail patronage by the customers. The results of Model 2 also showed that retail atmospherics raised the predictive power of retail store patronage by 13.1% (R Square Change = 0.131) and model 2 was also significant (F change = 119.749, p≤0.01).

Model 3 involved the inclusion of perceived service quality which raised the predictive power of the retail store patronage by only 7% (R Square change = 0.07) however the model was significant (F change = 6.532, p≤0.05) at 5% level. Furthermore, perceived service quality was found to have a significant positive effect (beta = 0.09, p≤ 0.05) implying that when the customers perceive the quality of service of the supermarkets to be good in terms of reliability,

dependability and tangibles, it makes them increase their patronage of the supermarkets. Notably introduction of service quality in model 3 reduced slightly the effect of retail atmospherics. It was therefore necessary to test for the mediating effect of perceived service quality on the relationships between retail atmospherics and retail store patronage.

4.5   Mediation test

A mediation test was conducted to establish if the conceptualization that perceived service quality mediates the relationship between retail atmospherics and retail store patronage and this was found to be valid in the case of supermarkets in Kampala. The results of the analysis are summarized in the figure below.

Figure 2: Mediation of perceived service quality on the relationship between retail atmospherics and retail store patronage
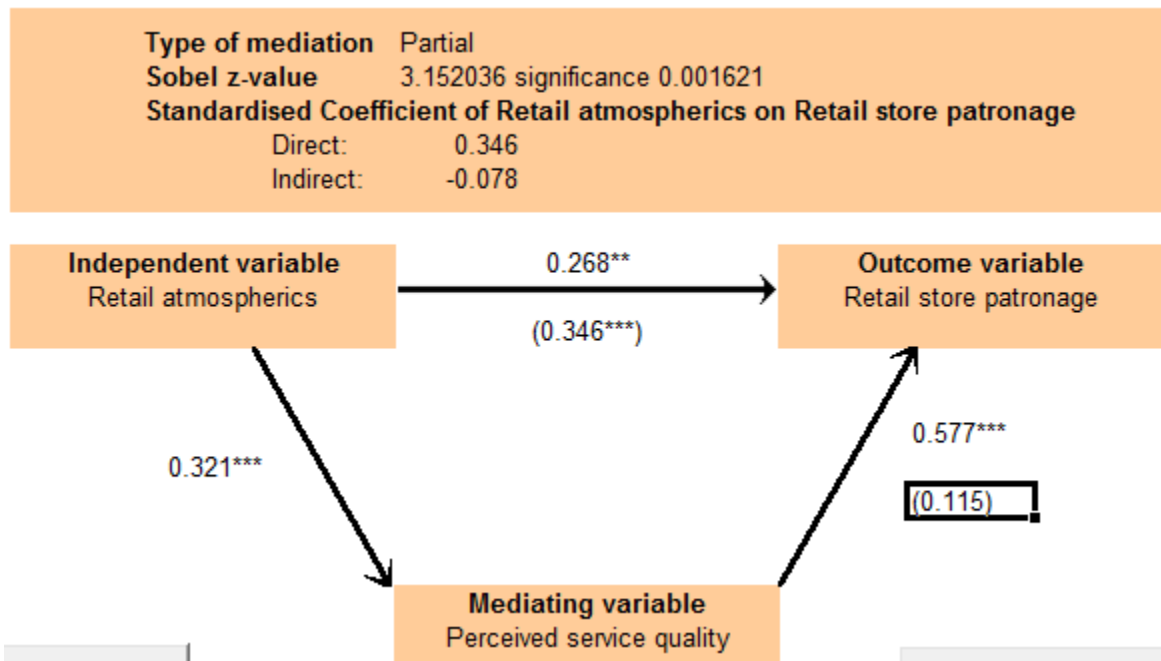
Baron and Kenny's path analysis as shown in figure 2 indicated that retail atmospherics had a significant positive effect on retail store patronage (beta = .268, p ≤ .01) in the simple regression and on controlling for perceived service quality, the effect did not only remain significant but also got strong (beta = .346, p > .05). Further still, the Sobel test for mediation showed that the mediating effect was partial and significant (Z = 3.15, p≤.01). This implies that the impact of retail atmospherics on retail store patronage would be enhanced by the customers' perception of the service quality in the supermarkets.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is divided into four sections; discussion of findings, conclusions, recommendations and areas for further study. These sections were guided by the study objectives which include;

1) To analyze the relationships between retail atmospherics and retail store patronage.

2) To analyze the relationships between retail atmospherics and perceived service quality.

3) To analyze the relationships between perceived service quality and retail store patronage.

4) To analyze the mediating effect of perceived service quality on the relationship between retail atmospherics and retail store patronage.

5.2   Discussion of findings

The discussion of findings is in line with the relational objectives between the independent, mediating and dependent variables as indicated below:

5.2.1 The relationships between retail atmospherics and retail store patronage

The study found out that there was a significant positive relationship between retail atmospherics and retail store patronage of supermarkets in Kampala implying that the constructs of design factor, ambience of the retail stores and the customer service offered by the staff of the retail stores determined the level at which their customers would patronize them. This finding agrees with Birtwistle & Shearer, (2001); Newman and Patel, (2004), who posited that retail

atmospherics was an important factor in retail store patronage and that it was a key determinant of patronage.

The findings in this study is supported by Thang & Tan, 2003 who posited that consumers' holistic attitudes about a given store atmosphere influenced their overall preference for that store. The increased level of retail store patronage that result from the appealing retail atmospherics would then translate into increased amounts of commodities purchased from the stores, higher frequency of visits to the stores and recommendation of the stores to their colleagues.

The finding that all facets of retail atmospherics namely; design factors, ambience factors and customer service were directly related with retail store patronage was backed by various studies on retail atmospheric which argued that an effectively managed retail environment including; ambient factors such as (temperature, lighting, noise, music and scent), design factors like architecture, color and materials induce favorable attitudes towards patronizing a retail store and vice versa (Bitner, 1992; Gilboa & Rafaeli, 2003; Lovelock & Wirtz, 2011).

Consistent with (Areni & Kim, 1994), this study established a link between brightness of lighting which increases examination of merchandise and enable customers to pick from the shelves; commodities well aware of what they are picking and hence eliminating consumer dissonance and a possible recommendation as opposed to discouragement of prospective customers.

5.2.2 The relationships between retail atmospherics and perceived service quality

The study also found that there exists significant positive relationships between retail atmospherics and perceived service quality generally. This implies that if a customer perceived the ambience, design and customer service to be positive then it would most likely translate into

a good perception of customer service of the retail stores. This finding is consistent with Hu &
Jasper (2006) who manipulated the social cues in retail atmospherics by varying the level of
socially oriented in-store graphics (such as social image display versus department name display)
and personalized customer service which showed that consumers' attitudes towards the
merchandise, service quality, and their emotions towards the retail stores were enhanced when
such social cues were present. The findings is consistent with Sweeney & Wyber (2002) who
posit that slow popular or fast classical music both influenced pleasure and the perception of
service quality. The study explained the linkage between retail atmospherics and perceived
service quality further noting that stores' layout could communicate value by increasing search
efficiency, comfort, inventory capacity, product quality, price, and product displays. Signage and
window dressing is the face index of the store that can attract or repel customers from the store.
In that way customers could develop associations of trust, value, quality of goods and services,
price, warranty and guarantee, etc as they came across visuals such as signage, window dressing
and logo. According to Ozedmir & Hewett (2010), ambient factors can create a holistic
atmosphere in a retail store through aesthetically sensitive dispositions, signaling the retail store's
merchandize quality.

5.2.3 The relationship between perceived service quality and retail store patronage.

The findings of this study showed that there was a significant positive relationship between
perceived service quality and retail store patronage and in further analysis, perceived service
quality was found to cause retail store patronage. This is an indication that when the customers
of the retail stores positively perceive the service quality of the stores, then it would induce them
to patronize these retail stores. The current study was supported by various studies (Milliman,

1982; Turley & Chebat, 2002) who found that when consumers perceive a store environment or element of that environment positively, they are most likely to remain in a store for a longer period of time to touch or examine merchandise (Herbert, 1997), and to indicate an intention to purchase (Fiore et al., 2000). Baker, Parasuraman, Grewal & Voss, (2002) also maintained that consumers' perceptions of the overall store environment indirectly influenced their store patronage intentions. All these studies point to the direction that when the perception of the customers regarding the quality of service they receive determined whether they would continue buying at the store and even recommend it to their counterparts. In support of this view, Chang and Yeh, (2002) demonstrated that retail store's competitive advantages were determined by the customers' perception of service quality and more specifically; Prayag, (2007) posited that supermarket service quality had an influence on customers' patronage

5.3   Conclusions

(i)   Good retail atmospherics in terms of their ambience, design and customer service attracts customers as they will in most cases shun supermarkets with poor retail atmospherics.

(ii)   Good stores layout communicate value by increasing search efficiency, comfort, inventory capacity, product quality, price and product displays. Signage and window dressing is the face index of the store that can attract or repel customers from the store.

(iii)   Retail store patronage of supermarkets in Kampala is directly associated with the customers' perception of service quality. When customers' perception is matched, their repurchase intentions increase, their price sensitivity decreases, and positive word of mouth communications increase.

(iv)   Retail store patronage is influenced directly by retail atmospherics and indirectly through perceived service quality as a mediating variable. However, in situations where the atmospherics is good but service quality is poor, retail store patronage may not be realized.

5.4   Recommendations

(i)   Retail store managers should therefore focus on the human dimension in retail environments as poor customer-salesperson encounters can terminate consumers' shopping experiences. It is imperative to understand the human variables in retail environments as they are a critical factor and affect consumers' perceptions of service quality and subsequent retail store patronage.

(ii)   Retail store lay out should therefore communicate value by increasing search efficiency, comfort, inventory capacity, product quality, price and product displays to cause customers to stay longer and patronize the stores.

(iii)   Retail store managers should not only provide physical products that address consumers' needs but create a solution centre that integrates the sale of both physical products and value-added services to attain competitive advantages. This implies that retail patronage of supermarkets in Kampala by their customers is directly associated with the customers' perception of the service quality.

(iv)   Retail store managers should equip their stores with good atmospheric cues and enhance the perception of service quality to increase retail store patronage.

5.5 Research Gap that this study attempts to bridge

Majority of the previous studies investigated the effect of group of antecedents on retail store patronage, some concentrated on understanding effect of retail atmospherics on retail store patronage (for example, Carpenter & Moore, 2006; Fox et al., 2004; Paulins & Geistfeled, 2003; Seiders et al., 2000b). Another stream investigated the effect of retail store atmospherics on store patronage (for example Seock, 2009; Baker et al., 1994; Hyllegard et al., 2006. Other researchers studied the effect of store image on store patronage (Bellenger et al., 1976; Lindquist 1974; Donovan & Rossiter 1982; Bloemer & Ruyter 1998; Roy & Tai 2003). Some on the effect of shopping orientation on store patronage (Bellinger & Moschis, 1982; Sproles & Kendall, 1986; Darden et al., 1981; Sinha, 2003). Few studies concentrated on the reasons for choice and frequency of visits of the store - retail store patronage (for e.g., Nguyen et al., 2007; Rohm & Swaminathan, 2004; Lennon et al., 2003; Arnold & Reynolds, 2003; Parsons, 2002).

On extensive review of the literature, three gaps in literature were identified and addressed through this study:

(i)   First, the inconsistencies observed in the effect of antecedents listed might indicate that there may be interactive effects among other different variables (mediators) to understand retail store patronage. Hence in this study, the interaction effect of perceived service quality was investigated to answer some of the inconsistencies.

(ii)   Secondly, all previous studies investigated patronage behavior of shoppers in single retail units yet there is paucity of research on patronage behavior across different retail formats. This study covers four retail stores/ supermarkets namely Capital shoppers, Nakumatt,

Uchumi and Quality. Two of these; Nakumatt and Uchumi are foreign supermarkets while Capital shoppers and Quality super markets are Ugandan supermarkets.

(iii)   Thirdly, except for few studies by (for example, Anand & Sinha, 2008; Tripathi and Sinha 2006; Kureshi et al., 2007; Halepete & Iyer, 2008), majority of the studies were done in developed retail markets of the US and Europe. In emerging economies, like Uganda, the growth of organized retail presents a unique set-up to investigate the changing preferences of consumers across different retail formats. The present study aims to fill these gaps in the literature by focusing on emerging consumer markets like Uganda.

5.6 Limitations to the study

Due to dearth of time and resource limitations, it was not possible to conduct a large scale survey in other parts of the country. Therefore, results might vary in case the survey is conducted in other regions. The coefficient alpha value for the measurement constructs were not too high, though they were within acceptable ranges for a cross sectional study.

5.7 Areas for further research

The following areas of further study should be upheld given the fact that the study has got limitations arising from the specification of the model and the scope.

(i)   This research investigated the impact of retail atmospherics, and perceived service quality on consumer patronage in only Kampala area. This study may not cast a general picture of retail stores in other parts of Uganda where reward cards are not used. It is upon this background that a further study on this issue at a country level is recommended so that a more conclusive research could be carried out.

(ii)   Investigating a longitudinal relationship between demographic characteristics, retail store atmospherics, perceived service quality and retail store patronage would be recommended to see what results would emerge.

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QUESTIONNAIRE

Dear respondent!

This research is on the topic: ***"Retail Atmospherics, Perceived Service Quality, and Retail Store Patronage of supermarkets in Kampala".*** You have been identified as a key and valuable respondent in the success of this study. It is purely an academic study being undertaken. Your response will be treated with utmost confidentiality and will only be used for the purpose of the study. I kindly request that you spare some of your valuable time to respond to the following questions. Thank you in advance for the support.

SECTION 1: CUSTOMER DEMOGRAPHICS

CD1 Gender

Male	Female

CD2 Age: In which age category do you belong?

Below 19 Years	20 – 29 Years	30 – 39 Years	40-49 Years	50 – 59 Years	Above 60 Years

CD3 Marital status: What is your marital status?

Married	Single	Separated	Widowed

CD4 Occupation: What is your major occupation?

House Wife	Paid Employment	Businessperson	Retired civil servant	Student	Any other (specify)

CD5 Education: What is your highest level of education?

Secondary education	Diploma	Undergraduate degree	Masters degree	PhD	Others(specify)

CD6 Monthly Household income in Uganda Shillings: What is your approximate level of income per month?

Less than 99,000	100,000-149,000	150,000-199,000	200,000-1,200,000	1,210,000-1,500,000	Above 1500,000

CD7 Household Size: What is the number of people in your house?

1 – 3	4 – 6	7-10	11-13	14-15	Over 15

CD8 What is the approximate distance you travelled to store?

Less than 1km	1-2km	3-4km	5-6km	More than 6km

CD9 What is the mode of transport you used to and from the supermarket?

Two Wheeler	Public transport	Personal car	Company car	Any other (specify)

SECTION 2: RETAIL ATMOSPHERICS

Please respond to the statements below by circling or ticking the most appropriate number that corresponds to your level of agreement with the statement where;

Strongly disagree	Disagree	Somewhat disagree	Undecided	Somewhat agree	Agree	Strongly Agree
1	2	3	4	5	6	7

	Ambience factors	**1**	**2**	**3**	**4**	**5**	**6**	**7**
RAA1	The store lighting increases my attraction to goods in this supermarket	1	2	3	4	5	6	7
RAA2	The background music at this store is cool and influences my choice and continued coming	1	2	3	4	5	6	7
RAA3	Retail store décor influences my purchase decisions in this store	1	2	3	4	5	6	7
RAA4	This store has uniform levels of lighting that enable me to examine products and sales staff well	1	2	3	4	5	6	7
RAA5	This store's atmosphere influences my impulse buying	1	2	3	4	5	6	7
RAA6	Pleasant store smell (ambience) attracts me to this store	1	2	3	4	5	6	7
	Design factors	**1**	**2**	**3**	**4**	**5**	**6**	**7**
RAD1	The size of corridor in the store facilitates my free and easy movement within the shelves	1	2	3	4	5	6	7
RAD2	Store lay-out facilitates my free interaction and communication with in-store guides	1	2	3	4	5	6	7
RAD3	The size of this store encourages me to buy from here	1	2	3	4	5	6	7
RAD4	A safe store environment influences me to shop	1	2	3	4	5	6	7
RAD5	The parking space here influences my shopping at							

	this retail store	1	2	3	4	5	6	7
RAD6	The store has creative displays of merchandize that attracts me to shop here often							
	Customer service	1	2	3	4	5	6	7
RAC1	Store employees act in a mutually acceptable manner	1	2	3	4	5	6	7
RAC2	A shop environment that relates to my esteem	1	2	3	4	5	6	7
RAC3	Staff here have integrity in handling my needs	1	2	3	4	5	6	7
RAC4	The staff in this retail store offer me personal attention	1	2	3	4	5	6	7
RAC5	The store people are courteous, greet me, bid me farewell, and ask me to come again	1	2	3	4	5	6	7

SECTION 3: PERCEIVED SERVICE QUALITY ASSESSMENT

Please respond to the statements below by circling or ticking the most appropriate number that corresponds with your level of agreement about the service you receive from this supermarket, where;

Strongly disagree	Disagree	Somewhat disagree	Undecided	Somewhat Agree	Agree	Strongly Agree
1	**2**	**3**	**4**	**5**	**6**	**7**

	Dependability	**1**	**2**	**3**	**4**	**5**	**6**	**7**
PSQD1	The staff of this supermarket have the knowledge to answer questions	1	2	3	4	5	6	7
PSQD2	The staff of this retail store have the technical and person skills to perform the service effectively	1	2	3	4	5	6	7
PSQD3	The employees of this retail store instills confidence in their customers	1	2	3	4	5	6	7
PSQD4	Employees of this retail store show dependability in handling service problems	1	2	3	4	5	6	7
	Tangibles	1	2	3	4	5	6	7
PSQT1	This retail store's equipments and facilities are easy to use	1	2	3	4	5	6	7
PSQT2	This supermarket's equipment and facilities are generally clean.	1	2	3	4	5	6	7
PSQT3	This supermarket has smart and professional employees	1	2	3	4	5	6	7
PSQT4	This supermarket's equipment, fixtures and fittings are	1	2	3	4	5	6	7

	modern							
	Reliability	1	2	3	4	5	6	7
PSQR1	I feel safe and secure while shopping in this supermarket	1	2	3	4	5	6	7
PSQR2	I am satisfied with the service delivery levels at this supermarket.	1	2	3	4	5	6	7
PSQR3	When this supermarket promises to provide a service, it does so.	1	2	3	4	5	6	7

SECTION 4: RETAIL STORE PATRONAGE

Retail store patronage involves such key decisions as store/supermarket choice and frequency of supermarket/store visit. Show the extent to which the following attributes have been important in your choice of retail stores, where;

Extremely un-important to me	Very un-important to me	Somewhat un-important to me	Undecided	Somewhat important to me	Very important to me	Extremely important to me
1	2	3	4	5	6	7

	Factors influencing store choice	**1**	**2**	**3**	**4**	**5**	**6**	**7**
RSP1	Availability of credit	1	2	3	4	5	6	7
RSP2	Shopping convenience	1	2	3	4	5	6	7
RSP3	Display and layout	1	2	3	4	5	6	7
RSP4	Home delivery	1	2	3	4	5	6	7
RSP5	Additional services	1	2	3	4	5	6	7
RSP6	Promotion	1	2	3	4	5	6	7
RSP7	Return policy	1	2	3	4	5	6	7
RSP8	Easy to find product	1	2	3	4	5	6	7
RSP9	Convenient location	1	2	3	4	5	6	7

Retail store patronage also involves frequency of supermarket/store visit. Show the extent to which you either agree or disagree with the following statements, where;

Strongly disagree	Disagree	Slightly disagree	Undecided	Somewhat agree	Agree	Strongly agree
1	2	3	4	5	6	7

	Frequency of visit	1	2	3	4	5	6	7
RSPFV1	In order to identify myself with this store	1	2	3	4	5	6	7
RSPFV2	It has an assortment of children collection	1	2	3	4	5	6	7
RSPFV3	Every time I think of shopping, I prefer to come to this store	1	2	3	4	5	6	7
RSPFV4	I keep abreast with new arrivals of assorted customer goods	1	2	3	4	5	6	7
RSPFV5	Face-to-face interaction with the supermarket staff is important to me	1	2	3	4	5	6	7
	Volume of Purchase	1	2	3	4	5	6	7
RSPVP1	I often buy large volume of merchandise	1	2	3	4	5	6	7
RSPVP2	I often buy from this store because it has packaging sizes that meet my purchase needs	1	2	3	4	5	6	7
	Intention to recommend this supermarket to my friends	1	2	3	4	5	6	7
RSPIR1	Shopping together with my friends from this store is important to me	1	2	3	4	5	6	7
RSPIR2	This store reward me whenever I convince others to shop here	1	2	3	4	5	6	7
RSPIR3	Past experiences influences my continued coming to this store	1	2	3	4	5	6	7

THANK YOU FOR YOUR TIME AND RESPONSE.