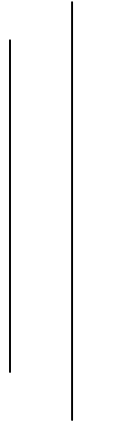


**Buyer Response towards the Out-Of-Stock Situation of the Preferred Brand  
Products at Retail Stores**



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**A Thesis Submitted to:**

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Kathmandu

*In partial fulfillment of the requirement for the degree of*

*Masters of Business Studies (M.B.S.)*

Kathmandu, Nepal

February, 2019

## **RECOMMENDATION**

This is to certify that the thesis

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Entitled

### **BUYER RESPONSE TOWARDS THE OUT-OF-STOCK SITUATION OF THE PREFERRED BRAND PRODUCTS AT RETAIL STORES**

has been prepared as approved by this department in the prescribed format of the Faculty of Management. This is forwarded for examination.

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Date:.....

# VIVA-VOICE SHEET

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OF THE PREFERRED BRAND PRODUCTS AT RETAIL STORES**

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of Master of Business Studies (MBS).

Viva- voice Committee

Chairperson, Research Committee : .....

Member (Thesis Supervisor) : .....

Member (External Expert) : .....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled **BUYER RESPONSE TOWARDS THE OUT-OF-STOCK SITUATION OF THE PREFERRED BRAND PRODUCTS AT RETAIL STORES** submitted to office of Dean, Faculty of Management, Tribhuvan University is my own work done in the form of partial fulfillment of requirement for the Master's Degree in Business Studies (M.B.S.), which is prepared under the supervision of Dr. Arhan Sthapit, Tribhuvan University.

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February, 2019

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## ABBREVIATIONS

DF	Degrees Of Freedom
ECR	Efficient Buyer Response
MIS	Management Information System
MS	Microsoft
OOS	Out Of Stock
OSA	On-Shelf-Availability
PAR	Permanent Assortment Reduction
PI	Personal Interview
RFID	Radio-frequency identification
SPSS	Statistical Package for Social Scientists

# CHAPTER1

## INTRODUCTION

### 1.1 Background of the Study

Any regular grocery shopper will be familiar with the annoying situation in which his or her preferred product is not available at the moment. Shopper research even shows that the unavailability of products is one of the most significant annoyances for grocery shoppers (Sloot, 2006). The list below emphasizes the six most common grocery buyer complaints, with two out of them specifically considering stock-out-situations (Sloot, 2006).

- a) Long waiting time at the checkout line.
- b) Items not available due to assortment reductions.
- c) Restocking shelves when the
- d) Store is open.
- e) Out-of-stocks of regular items.
- f) No good opportunity to pack products when the checkout is passed.
- g) Out-of-stocks of promotional items.

Analyzing the above list, it can therefore be concluded that product unavailability possibly leads to high dissatisfaction levels among grocery shoppers. Research into buyer reactions to stock-outs is therefore of importance to limit the negative effects for both the retailers and manufacturers. Number (d) and (e) reports annoyances with regards to stock-outs.

Retailers today are faced with severe competition, decreasing retailer margins, and a mature market, even as buyer behavior has been difficult to predict. The rising demands for lower prices, high quality standards, and a customer friendly service place are increasing the pressure on retailers to achieve a strategic competitive advantage by offering the requested goods at the right time in the right place in the right quantity and quality. Retail stock-out (hereafter referred as “stock-out”) adversely affects the revenue of both retailers and manufacturers and erodes customer loyalty to stores and brands. Unfortunately, stock out rates remained stubbornly high and stable over decades and the worldwide average level of stock-out in FMCG is

about 8.3 percent (Gruen & Corsten, 2008); even online merchants face the similar problem. Product unavailability possibly leads to high dissatisfaction levels among grocery shoppers. Research into buyer reactions to stock-outs is therefore of importance to limit the negative effects for both the retailers and manufacturers (Hajszan & Timmerman, 2016).

Within literature, stock-out situations have been studied frequently, mostly focusing on either the logistical field of retail stock-out situations, in order to prevent or limit stock-out situations (Corsten & Gruen, 2003; Fernie & Grant, 2008; Gruen et al., 2002; Mckinnon et al., 2007), or on buyer behavioral responses and the antecedents shaping them (Campo et al., 2000; Emmelhainz et al., 1991; Sloot et al., 2005). From the various literature that has been reviewed shows that buyers generally shows mainly three kinds of responses when encounter a stock-out situation: Leave/Switch the store, Delay/Postponement the purchase, Buy Substitute Product/Brand.

Although already widely discussed, ensuring sufficient product availability at the point of sale has not been established in practice. As several studies confirm, five to ten percent of all goods are out of stock (STOCK-OUT) at any particular time (Gruen et al., 2002). Empirical investigations also reveal that customer reactions differ across category (Zinszer & Lesser, 1981; Emmelhainz et al. 1991; Gruen et al. 2002). Various studies have tried to develop an overall picture of the key determinants that influence customer behavior (Sloot et al. 2005; Zinn & Liu, 2001); Campo et al. 2000; Verbeke et al. 1998) yet most concentrate on a limited number of product categories and retail formats. They also rely on an artificial research design—this design refers to an artificially created Stock-out-situation where certain products are taken from the shelf by the researcher in order to create a real stock-out-situation for the shopper, which has negative influences on the external validity of their empirical results.

Assortment unavailability can be temporary (part of the day or a few days) or permanent (a few months or longer) in nature. A temporary unavailability is signaled by an open space in the shelf, in which case buyers generally know that the product normally is available and will be available again soon (their next shopping trip). Compared with temporary assortment unavailability, a permanent unavailability is more difficult to signal for buyers, because the store readjusts the shelf after a delisting. In general, only buyers that are looking for the eliminated item or brand will explicitly notice that their product is no longer available.

Stock-outs are increasingly recognized as a retail problem by both researchers and practitioners. The fact that a stock-out situation represents one of the most common problems encountered by customers in retail stores is confirmed by the results of several studies (Roland Berger Consultants, 2003; Supermarket Buyer Panel, 2011). Stock-outs should be managed with a combination of efforts to (1) reduce the number of stock-out instances and (2) offer remedies to manage the buyer's response whenever the stock-out is unavoidable or is too expensive to eliminate (Anderson et al., 2006; Bhargava et al., 2006).

## **1.2 Statement of the Problem**

Organizations traditionally have held more inventory than required to meet variation in customer demand. Musalem and Dekker (2005) suggested, "One of the most important aspects affecting the supply chain performance is the management of inventories." Too little inventory could lead to stock-outs; as a consequence, customers could become dissatisfied and take their business elsewhere (Koumanakos, 2008). Customers' responses to stock-out can be expensive to retailers: When a customer encounters stock-out, the retailer can lose up to half of the intended purchases (Gruen et al., 2002).

Risk of stock-outs and losing customers has increased the risk for retailers. Stock-out experiences negatively affects customers' purchasing behaviors and shopping attitudes (Rani & Velayudhan, 2008). Stock-outs are increasingly recognized as a retail problem by both researchers and practitioners (Vasconcellos & Sampaio, 2009), as many of customers who experience stock-out will go to the competitors rather than buy a substitute item at the stores where they typically shop (Zinn & Liu, 2008).

Campo et al (2000) concluded that retailers can lose up to 14 percent of customers who cannot find missing products. Because of stocking out, retailers could suffer both short and long-term negative fiscal consequences. Blazenko and Vandezande (2003) declared, "Two adverse consequences of stock-outs [are] immediate foregone profit and long-run loss of revenue arising from the shift of customers to more reliable sources of supply."

Past research have provided some information on buyer response towards stock out situation at retail store. The current study thus provides empirical data about the stock out situation and buyer responses towards it. This study expands the literature of

buyer response towards stock-out situations and identifying the relationship among factors. Additionally, there have been many studies/research works in different countries on buyer response towards stock-out situations, but no such studies have been carried out in Nepalese context yet. In this context, this study is intended to fill such research gap as well. This research will enable the viewer to gain in depth understanding of buyer response towards stock-out situations, enables retailers to gain in depth understanding of the stock-out problems, and use the recommended mitigation measures to minimize the negative effects of stock-out on their buyers.

### **1.3 Objectives of the Study**

Retailers must have the products on hand that customers demand or risk losing them to competitors (Richey et al., 2007). Another basic idea of this research was that buyers facing stock out acquire some psychosomatic reactions. One, there can be state of frustration, disappointment and so on. Basically, buyers expect that the products/brands that they are willing to purchase from specific store are available and they do not have to visit other store or wait for that product/brand to consume it. Buyers can purchase the product either from organized retail store or **non-organized** retail store. The main purpose of the study is to examine the buyers' response towards stock-out situation at **non-organized** retail stores.

In the view of above discussion, the specific purposes of the study are as follows:

- To assess buyer response towards stock-out-situation at retail stores;
- To examine the relationship of retail marketing factors (general time constraint, shopping trip, specific time constraint, store loyalty, perceived store price, perceived store service and brand loyalty) with buyer response towards **stock-out** situation

### **1.4 Significance of the Study**

All the research study attempts to contribute something beneficial or important to the related field of study, this study is no exception. This study attempts to bring some new insights regarding buyer response towards preferred brand stock-out situation at retail store.

The research will help marketers and planners to recognize their shortcomings and encourage them to accurately forecast the inventory to fulfill buyer demands. This

study will be beneficial for both the retailers and manufacturers as well. They can decide and predict their sales forecast based on the buyer responses when they encounter the stock-out situation at retail store. Buyers when encounter with stock-out situation they might switch the store which might create loss for the existing store as buyer have moved to other stores to purchase the product. However, some brand and store loyal buyer might delay their purchase under stock-out situation, which might create a negative cash flow for both retailer and manufacturer. Lastly, buying substitute product/brand when buyer encounter stock-out situation at retail store might create a direct loss of specific brand for the manufacturer.

The implications of this study for marketers, the organization and retailers and practitioners are that, they can forecast their loss when buyer encounter stock-out situation at retail store. Here, buyer might not face financial loss but may face different psychosomatic reactions.

## **1.5 Organization of the Study**

The proposed study is organized and described into five chapters, which are as follows:

### **Chapter 1: Introduction**

The first chapter of the research project provides basic information related to the research topic and outline of the study. It highlights background of the study, statement of problem, objectives of the study, significance of the study as well as limitation of the study. Furthermore, a brief synopsis of how the chapter flows has shown under the title organization of the study.

### **Chapter 2: Review of Literature**

The second chapter reviews the literatures, which are done from the various sources such as Books, newspapers, journals, websites etc. This chapter provides related words, definitions, and findings on the related topic from other researchers, journals, papers, and similar works, which are very important in guiding the research. Besides, this chapter includes theoretical framework around which the whole work have been put together.

### **Chapter 3: Research Methodology**

This chapter presents the research design and methodology utilized in this research. The research design and methodology includes the planned methods used while conducting the research, which has helped to guide the research towards its main findings and conclusion. It includes information on research design, data analysis methods, questionnaire, population and sample size, sampling techniques, data collection instrument, and the sources of data exclusively meant for this Project.

### **Chapter 4: Presentation and Analysis of Data**

The fourth chapter deals with the main results of the study. After the collection of data and processing it is necessary to highlight the result and analyze the findings. Hence, this chapter includes presentation of data and analysis of the findings using diagrammatic representations such as pie charts, bar graphs as well as mathematical and statistical tools like descriptive analysis.

### **Chapter 5: Summary, Conclusions and Recommendations**

This chapter outlines the discussion of results and suggestions for further research. This is final chapter of the research work; hence, it revolves around showcasing summarized report of whole work. It focuses on concluding the work highlighting the main findings as well as making recommendations and providing guidelines for the prospective users, readers and future researchers.



## **CHAPTER 2**

### **REVIEW OF LITERATURE**

#### **2.1 Review of Conceptual/Theoretical Framework**

This chapter will give an overview of literatures that are related with the research. This chapter attempts to analyze the relevant concept of buyer response towards preferred brand out of stock situation at retail store. Various literatures are reviewed that is related to given subject or chosen topic area. At the beginning, it has a broad concept and later relates to the factors that identifies how buyer response towards preferred brand out of stock situation at retail outlets along with the theoretical framework.

##### **2.1.1 Conceptual Review**

Conceptual Review is related with all the possible concepts related with buyer response towards stock-out situation at retail store which are discussed below:

###### **2.1.1.1 Buyer Behavior**

The terms customer and buyer are not synonymous. A customer is a purchaser of a product or a service; a buyer is a user of a product or a service. The buying behavior of the customer is influenced by the needs and preferences of the buyers for whom the products are purchased. The “Customer is King” philosophy has become one of those marketing fads and fashions that have continued to trail the growth and expansion of the product economy (Kotler, 2002). Buyer is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.

Buyer behavior is the study of how people buy, what they buy, when they buy and why they buy. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual buyers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the buyer from groups such as family, friends, reference groups, and society in general. Buyer behavior is considered to be an inseparable part of marketing and (Kotler & Keller, 2011) state that buyer buying behavior is the study of the ways of buying and disposing of goods, services,

ideas or experiences by the individuals, groups and organizations in order to satisfy their needs and wants. Belch and Belch (2007) defined buyer behavior as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires.

The study of buyer behavior helps organizations improve their marketing strategies by understanding issues such as:

- The psychology of how buyers think, feel, reason, and select between different alternatives (e.g., brands, products).
- The psychology of how the buyer is influenced by his or her environment (e.g., culture, family, signs, media).
- The behavior of buyers while shopping or making other marketing decisions.
- Limitations in buyer knowledge or information processing abilities influence decisions and marketing outcome.
- How buyer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the buyer and
- How marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the buyer.

#### **2.1.1.2 Buying Decision Process**

Describing the process a customer goes through when making a purchase makes it easier to understand customer behavior. A traditional model that describes the process a customer goes through is called the buying decision process. The buyer decision making process involves series of related and sequential stages of activities. The process begins with the discovery and recognition of an unsatisfied need or want. It becomes a drive. Buyer begins search for information. This search gives rise to various alternatives and finally the purchase decision is made. Then buyer evaluates the post purchase behavior to know the level of satisfaction. Blackwell et al (2006) explained that buyer buying behavior is itself is a complex, dynamic issue which cannot be defined easily and commonly. Many years scholars have used and changed buying decision model but in this paper the interpretation of (Khosla, 2010) has been used wherein this model consists of five stages:

- The problem recognition stage: The first stage is the problem recognition stage wherein the customer comes in a problem situation. The buyer needs a solution for the problem it is facing, which can be a product or a service. When a person has an unsatisfied need, the buying process begins to satisfy the needs. Need/problem recognition can be triggered by changes in either buyer's actual or desired state.
- Information search: The second stage starts when the customer has recognized the problem and start searching for information on products and services that can solve the problem. The customer uses internal information and external information to make his choice in this process (Belch & Belch, 2007). Internal information is already present in the customers' memory and external information comes from external stimuli, such as reviews and advertisements.
- Alternative evaluation: The third stage is the evaluation of the different alternatives and starts once all the information is collected. Every customer is unique and so the evaluation of the alternatives is very subjective and strongly depends on customer characteristics. This process will lead to an evoked set, which contains the products the customer takes in consideration to buy. As stated, organizations should influence the customers with stimuli to increase the likelihood that their product is in this evoked set (Schiffman et al., 2008).
- Purchase decision: The fourth step starts when the customer has evaluated the different solutions and proceeds with the actual buying of the product that seems most appropriate to his needs. Choosing product choice can be either a simply and quick or a complex stage (Solomon, 2006). Buyer will feel simple to choose other brands or product if there are few alternatives but will feel complex if there are variety of products.
- Post-purchase decision: The fifth step is the evaluation of the purchased product or used service. The customer will evaluate whether the product or service has met his original needs. After the consumption of the product, buyer will evaluate whether the need they have recognized at earlier stage has satisfied their need after the consumption of the product. Jobber (2007) stated in his study that the quality of product and service is a main determinant in post-purchase evaluation.

### **2.1.1.3 Retail Store and Stock-Out Situation**

The word 'Retail' is derived from a French word with the prefix re and the verb meaning "to cut again". In simple terms, it implies a firsthand transaction with the customer. Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final buyers. In other words, retailing consists of the activities involved in selling directly to the ultimate buyer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business.

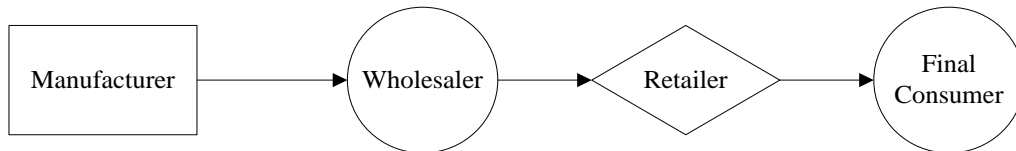
Kotler (2002) retailing includes all the activities involved in selling goods or services to the final consumer, for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Retailing consists of all activities involved in selling goods and services to buyers for their personal, family, or household use. It covers sales of goods ranging from automobiles to apparel and food products, and services ranging from hair cutting to air travel and computer education retailing is one of the largest sectors in the global economy (Chandrashekar, 2016).

Following are the key issues that retailers must resolve (Berman & Evans, 2011):

- How can we best serve our customers while earning a fair profit?
- How can we stand out in a highly competitive environment where buyers have so many choices?
- How can we grow our business while retaining a core of loyal customers?

There are number of researches done in the field of retail industry. There have been numerous researches done to understand buyer behavior in retail industry. There has been the study of buyer preferences towards organized and unorganized retail store, buyer response towards stock out situation at retail store and many more. The various researches have also been conducted in Nepal. The findings show that, still the supermarkets are not able to crack the customers of "kirana" shops who are the cream of customers for supermarkets. Despite the growing culture of malls and supermarkets, Kathmandu citizens have not given up on their neighborhood "kirana" shops. In fact, these mom and pop stores are doing quite well despite the competition from the megastores (NG, 2008).

Retailing is the last stage in a channel of distribution – all of the businesses and people involved in the physical movement and transfer of ownership of goods and services from producer to buyer. Retailers often act as the contact between manufacturers, wholesalers and the buyer (Berman & Evans, 2011). A typical distribution channel is shown in Figure 2.1.



*Figure 2.1 A Typical Distribution Channel*

Distribution or place element of marketing mix gets the product to the target customers. Kotler and Armstrong (2010) “Distribution channel is a set of interdependent organizations (intermediaries) involved in the process of making a product or service available for use or consumption by the buyer or business user.” Manufacturer is a person or company that makes goods in large quantities to sale. Wholesaler includes all activities involved in selling goods and services to those buying for resale or business use. Retailer includes all activities involved in selling products or services directly to the final buyers for their personal, no business use (Kotler & Armstrong, 2010).

Retail store provides the goods that customer needs, in a desired form, at a required time and place. A retailer does not sell raw material. They sell finished goods or services in the form that buyer wants. A retailer buys a wide range of products from different wholesalers and offers the best products under one roof. The retail store is divided into two parts- Organized Retail store and non-organized Retail store. Most of the retailing in Nepal is non-organized. Most of the organized retailing in the country has just started recently, and has been concentrated mainly in the cities.

Organized retailing is based on the principle of unity and unorganized retailing is based on the principle of singularity. Both organized and unorganized retailing is found in most of the countries throughout the world (Ritu, 2011). Types of retail store are explained in brief which are as follows:

- **Organized Retail Store:** Organized retailing refers to the trading activities undertaken by licensed a retailer that includes the corporate-backed

hypermarkets and also the privately owned large retail businesses (Fatima, 2013). She further added that, it is any retail outlet chain (not a one shop outlet) which is professionally managed (even if it is a family run), has accounting transparency (with proper usage of MIS and accounting standards) and organized supply chain management with centralized quality control and sourcing (certain part of the sourcing can be locally made) can be termed as an organized retailing.

Organized Retailing is a large retail chain of shops run with up-to-date technology, accounting transparency, supply chain management, and distribution systems (Point, 2015).

The various forms of organized retail store and they are:

a) Hypermarkets: The term hypermarket (French: hypermarché) was coined in 1968 by French trade expert Jacques Pictet. A hypermarket is a superstore combining a supermarket and a department store. They store products of multiple brands comprising food items and non-food items. Hypermarkets have emerged as the biggest crowd pullers due to the fact regular purchases are a norm at such outlets. These are generally large self-service outlets offering a variety of categories with deep assortments.

b) Supermarkets: These are self-service stores selling food and personal care merchandise. Kotler and Armstrong (2010) defines supermarket as “A departmentalized retail establishment having four basic departments viz. self-service grocery, meat, produce and dairy plus other household departments, and doing a maximum business. It may be entirely owner operated or have some of the departments leased on a concession basis.” Supermarkets are relatively large, low-cost, low-margin, high volume, self-service operation designed to serve the buyer’s total needs for grocery and household products.

c) Departmental Stores: A department store is a large retail unit with an extensive assortment of goods and services that is organized into separate departments for purposes of buying, promotion, customer service, and control (Berman & Evans, 2011). These are large scale retail stores selling less than one roof and one control a variety of goods divided into different departments, each of which specializes in an individual merchandise. A department store is

a retail establishment offering a wide range of buyer goods in different product categories known as "departments". Bluebird is the first Department store in Nepal and Bhat-Bhateni is currently the largest chain of Department stores with several of its stores all over the country.

d) Specialty Stores: Specialty stores are retail businesses that focus on specific product categories, such as office supplies, men's or women's clothing, or carpet. These focus on branded product or product category. Berman and Evans (2011) defined specialty store as, "A specialty store concentrates on selling one goods or services line, such as young women's apparel. It usually carries a narrow but deep assortment in the chosen category and tailors the strategy to a given market segment." Buyers often shop at specialty stores because of the knowledgeable sales personnel, the variety of choices within the given category, customer service policies, intimate store size and atmosphere.

e) Malls: A huge enclosure which has different retail formats (Ritu, 2011). Shopping Mall refers to a set of homogenous and heterogeneous shops adjoining a pedestrian, or an exclusive pedestrian street, that make it easygoing for shopper to walk from store to store without interference from vehicular traffic. Malls are incorporated with a whole bank of lifts and escalators for smooth transit of shoppers (Fatima, 2013).

- **Non-organized Retail Store:** Non-organized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, paan-bidi shops, convenience store, hand cart and pavement vendors. The unorganized retailing comprises of 'mom and pop' stores or 'kirana' stores. For the completion of research, questions were asked to the respondent in 'Mom and Pop' stores or 'kirana store'. Unorganized retail or more prominently "Kirana Stores" and "Mom n Pop" Shops as well as "ThadiWalas" has been the simplest ways of self-employment.

Unorganized retailing refers to the traditional formats of low cost retailing. It is any retail outlet which is run locally by the owner or the caretaker of the shop. The supply chain and the sourcing are also done locally to meet the local needs e.g. Local Kirana stores, convenience stores and so on (Fatima, 2013).

Although there are numerous unorganized retail formats, yet unorganized retail formats can be categorized in two parts:

- Non-movable Retail Formats: Under Non-movable Retail Formats, popular formats are kirana/general stores like medical store, cloth and readymade garments shop, cosmetics stores and so on (Fatima, 2013).
- Movable Retail Formats: Weekly Hat /Market, Mela, Hawkers and Pheriwala, Roaming Salesman/Vendors are the movable retail formats (Fatima, 2013).

Survival of non-organized retail formats in India is based on the easy availability of commodities/products and services along with cash and credit payment option to the customers. Buyers in the low income group and lower middle class have the option to pay cash or credit or cash and credit without any legal formalities and documentation.

Rahman (2012) found that organized retailers face competition from the unorganized sector as the strongest and biggest challenge. The Reasons for Unorganized Retail Sector Domination over organized retail sector are:

- There are large numbers of families who are still using these kirana shops/ 'mom and pop' stores offering a wide range of merchandise mix.
- These kirana shops have their own management system and they are satisfying the daily needs of the buyer efficiently.
- Kirana stores maintain a strong customer relation and support which is the strongest point of satisfaction with the sector to compete with organized retail.
- Unorganized retail sector is also promising for the people having low income or work season to season as this sector can only provide the essentials on credit basis.
- They can be found in every colony and on every road in city or in villages too as distance and convenience matters for the customers.
- This sector can run with low costs and in turn they can offer the utilities at a very affordable and reasonable cost.



#### **2.1.1.4 What is an Out of Stock (STOCK-OUT)?**

Out-of-Stock (stock-out) is a common problem in today's retailing practice. One of the key challenges for retailers is to keep products that customers want and need in stock. Stock-out occurs when the store is completely out of inventory. Stock-out is the term used to describe the situation when inventory for a particular product is at an end or unavailable. The word is interchangeable with out-of-stock (stock-out). Stock-out generally refers to a product being unavailable for purchase at retail. They're most apparent in the fast-moving buyer goods sector. The opposite of a stock-out would be an overstock, in which case there is a surplus of inventory (Vessella, 2017).

Out-of-stock (stock-out), i.e., unavailability of products, is commonly observed in retail environment of the buyer packaged goods (Che et al., 2012). Situation in which a routinely available product is missing from a retailer's shelf and is not available to meet customer demands (Vasconcellos & Sampaio, 2009). In the study that was funded by a grant from the Procter & Gamble Company, (Corsten & Gruen, 2003) found that the global average of retail out-of-stocks is 8.3 percent which means that shoppers will have a 42 percent chance of fulfilling a ten-item shopping list without encountering a stock-out. Stock-out frustrates shoppers and forces them to take a number of corrective actions that are beyond the retailer's control. Understanding how buyers respond to stock-out is therefore the starting point for retailers who wish to improve on-shelf availability (Rajaram & Tang, 2001). When shoppers are unable to find an item that they had intended to purchase, they might switch stores, purchase substitute items (brand switch, size switch, category switch), postpone their purchase or decide not to buy the item at all (Campo et al., 2003). According to the research conducted by Gruen et al (2002) when there is stock out at the retail store and that may lead to the consumption of competition brand which may lead to the permanent brand switch as well.

Corsten and Gruen (2003) "The stock-out event refers to what an out-of-stock is (i.e., how we know one when we see one). A stock-out event occurs when, for some contiguous time, an item is not available for sale as intended. If the retailer intends an item to be for sale, but there is no physical presence of a salable unit on the shelf, then the item is deemed to be stock-out. The stock-out event begins when the final saleable unit of a SKU is removed from the shelf and it ends when the presence of a saleable unit on the shelf is replenished.

When customers encounter stock-out situations, they are forced to react. Potential behavioral responses include item brand switching, store switching and purchase postponement. Depending on the potential behavioral response, both retailers and manufacturers may face severe damages (Campo et al., 2000). Possible risks for the manufacturer in short run can comprise an unexpected cannibalization of its product range or the loss of customers to competing brands. On the other hand, if customers decide to look for the stock out item in another store, the retailer might faces major losses. In the long run, stock-out situations represent a serious threat to brand and store loyalty. The temporary unavailability of products might lead buyer to a first contact with a competing brand or store which, in turn, can destroy a permanent brand relationship if this contact is positive (Karakaya, 2000).

The causes of stock out situation at retail store along with its negative effects and solution to prevent the stock out situation at retail store are described below:

#### **A. Causes of Stock-out Situation at Retail Store:**

One common reaction to a stock-out is “The buyer did not buy enough”. Stock-outs really hurt a business and it is important to understand the causes and not merely deal with the symptoms (The Inventory Advisor, 2015). Recent surveys on retail out-of-stocks suggests that in store operations are fundamental to reducing retail out-of-stocks (Gruen et al., 2002). The major causes of stock-outs are (The Inventory Advisor, 2015):

- **Under-estimating the demand for a product:** If retailer sells much more than they thought they would, they are likely to have under-ordered and run the risk of running out of stock.

Product data inaccuracy creates an unstable foundation for ordering and forecasting. Commonly referred to as “data synch,” there are clear impacts on out of stocks when product data issues are excessive (Gruen & Corsten, 2008). Poor data synchronization between the supplier and retailer will cause stock-out-situation at retail store.

- **Late delivery by the supplier:** Even if the ordering is, spot on and, if the supplier delivers later than what retailer expected does, they will chew into their safety stock and are at risk of running out of stock.

There can be various reasons why delivery is late. There are four main reasons why deliveries are late (Chow, 2013):

- The order is too small for the supplier.
  - The contract does not include a penalty clause.
  - The supplier is a trading company with no control over production.
  - Goods are stuck in customs.
- **Using the wrong lead time:** A supplier lead time that is shorter than the time it will actually take the supplier to deliver, will result in the delivery arriving later than planned due to the order being placed too late.
  - **Supplier refusing to deliver:** If the supplier doesn't deliver due to a credit hold on account or due to non-payment of invoices or a dispute of some sort, retailers have a bigger risk of stocking out.
  - **A shortage of working capital:** A shortage of working capital which may limit the value of orders that can be placed each month, resulting in stock-outs on key selling items due to too much cash tied up in high levels of excess on slow moving items.

#### **B. Negative Effects of Out-of-stock (STOCK-OUT):**

Corsten and Gruen (2003) provide, based on the possible buyer stock-out reactions, an overview of possible risks related to a stock-out for the retailer as well as the manufacturer. Published in the Harvard Business Review, Corsten and Gruen (2004) found that retailers find stock-outs annoying, just like everybody else. Daniel Corsten and Thomas Gruen along with their colleague Sundar Bharadwaj, a marketing professor from Emory University, they studied survey data from more than 71,000 buyers in 29 countries to learn how they react to stock-outs. When they can't find the precise product they're looking for, buyers typically do any one of these things:

- They Leave/Switch the store
- They Delay/Postponement the purchase
- They buy substitute product/brand

Based on these buyer responses, Gruen et al (2002) accumulated loss that will directly affect the retailer or the manufacturer in Table 2.1.

Table 2.1 Negative Effects of Out-of-stock (STOCK-OUT)

Buyer Response	Risk for retailer and manufacturer
<b>Leave/Switch Store</b>	Store switch bears a direct loss to the retailer (Gruen et al., 2002). Buyers switching to stores with a perceived lower level of stock-out could possibly lead to a loss of shoppers for the affected retailer (Corsten & Gruen, 2003).
<b>Delay/Postponement</b>	The postponement of a purchase neither directly affects the retailer nor the manufacturer as the purchase is still intended to be made. However, delay of purchase negatively affects cash flow for the retailer as well as the manufacturer (Gruen et al., 2002).
<b>Product/Brand Substitute</b>	While brand switch entails possible negative effects for the retailer if the chosen brand is of smaller size and/or cheaper, it bears the most problematic impact for the manufacturer as it leads to a direct loss of sale for the specific brand (Corsten & Gruen, 2003; Gruen et al., 2002).

**C. Solution to Prevent Out-of-Stock Situation (STOCK-OUT):**

Many of the underlying causes of stock-outs can be averted when effective processes are put in place. To minimize stock-out risk, suppliers should focus on augmenting their retail execution and supply chain practices. As a general rule of thumb, all companies should aim to eliminate stock-out for the twenty percent of items that account for eighty percent of total sales to make the greatest impact on the bottom line (Vessella, 2017).

Retailers know that stock-outs influence financial performance and customer satisfaction, yet relatively few have measured and implemented solutions to improve their merchandise availability. However, that’s changing – quickly and dramatically. Here are preventive measures that retailers can take now in order to accelerate reduction in out-of-stocks:

- **Step up and expand the use of RFID where and when it makes sense:** Radio-frequency identification (RFID) uses electromagnetic fields to automatically identify and track tags attached to objects. RFID allows a business to identify individual products and components, and to track them throughout the supply chain from production to point-of-sale. RFID tagging can be used to prevent over-stocking or under-stocking a product or component (Nibusinessinfo, n.d).

Too many retailers remain laggards when it comes to the technology. Handful of innovative market leaders has aggressively used RFID. Asking questions from “Should we adopt RFID” has shifted to “How and where can we implement and expand use of RFID.” While 100 percent RFID adoption may not make sense for every retailer, organizations should understand and find the appropriate use cases for the technology (Checkpoint, 2014).

Poster (2013) suggested three ways retailer can quit losing sales to stock-outs by knowing exactly when to restock inventory, how to make it easy for customer to buy and ordering inventory by product options.

- **Know when to restock inventory:** In order to know when to restock inventory, retailer need to able to answer:
  - What products are selling?
  - When do they expect more units to arrive?
  - How many additional units are they waiting?
  - How long does it take for their order to arrive?
  - Is their supplier typically on time or delayed? By how much?
- **Make it easy for customers to buy:** Particularly, during stock-outs, it is very important to establish trust to customer’s fear. Retailers must be able to accurately and confidently answer:
  - When will they have more products? If customers hear “I don’t know”, they will quickly think waiting is not worth it and will switch the store immediately.

Allowing customers to order out of stock products can be an effective strategy to guaranteeing the sale. They can pay up to 100 percent of the

cost of product up front, so that all the customer needs to do is await the arrival of their products.

- **Know exactly which product options are your best sellers:** Bestsellers are great. They are fast-moving sales and helps retailer to earn profit more quickly. Since best sellers are the first to go, their space on the shelf can sit empty as they wait for slower turning products to sell.

#### **2.1.1.5 Customer's STOCK-OUT Responses**

In the description of a theory of psychological reactance Brehm (1966) posited that when an individual's freedom is restricted through the elimination of (or threat of elimination of) a behavior, that individual will experience a state of psychological reactance (defined as a motivational state directed toward retaining the restricted freedom). Brehm (1966) found that the result of this reactance was, in many circumstances, an increase in the aggression experienced and demonstrated by the individual toward the source of the restriction. Clee and Robert (1980) discuss numerous practical examples of situations in a buyer setting in which reactance may occur and aggression may be manifested as hostility toward the marketer.

Across literature the phenomenon of temporarily unavailable products is being referred to as stock-out (out-of-stock) or stock-out. To ensure a common understanding of the term out-of-stock, a definition is provided. stock-out refers to the temporary unavailability of an item that is intended to be for sale in a retail store. Whenever any product is temporarily or permanently unavailable at any retail outlet, such situation is known as out of stock. A stock-out situation occurs when the saleable item is not physically present on the store shelf and ends with the replenishment of the affected sales unit (Gruen & Corsten, 2008).

Walter and Grabner (1975) were the first researchers to introduce a comprehensive model on specific buyer reactions by examining stock-outs in a liquor store. The possible alternatives introduced include brand substitution for the same, a higher or lower price, and substitution of the product with an item of the same brand but another package size, a delay of purchase or a switch of store. Even though the authors categorized the responses with the aim to calculate potential losses and optimize planning rather than understanding buyer behavior, their detailed classification of possible buyer reactions in stock-out situations highly contributed to

research and greatly influenced subsequent studies within buyer response to stock-out from a demand and behavioral point of view.

Peckham, (1963) the retail stock-out literature began at least fifty years ago. During this time frame, most publications focused on at least one of two broad issues. One was the measurement of stock-out levels in retail stores and the other was the behavior of buyers in response to a stock-out. There has been arguing between the numbers of researcher about the buyer response studies that were conducted at the very beginning. One was the measurement of stock-out levels in retail stores and the other was the behavior of buyers in response to a stock-out. Buyers may respond to the stock-out by substituting the item, delaying the purchase or leaving the store. This response set is known by the acronym SDL.

The first studies to be conducted in the field of stock-out was published by Peckham, (1963) in cooperation with the A.C. Nielsen company on stock-outs in the grocery environment and their potential to cause a loss of business to the retailer as well as the manufacturer. In his study he focused on the issue of retail stock-outs and described buyer reactions in an explorative way. Conducting a quasi-experiment in grocery stores Peckham and found that buyers react to stock-out of their preferred brand by either purchasing another brand, another package size or color of the same brand or do not purchase the desired product at all.

Another influential study was conducted in 1968 by Progressive Grocer (1968) together with the National Association of Food Chains and The A.C. Nielsen Company. As opposed to prior studies in which the cost of stock-out was mainly estimated by unsold inventory, this study aimed to understand buyer behavior. Not only did the paper distinguish between shelf and store unavailability, referring to the product being available for purchase in the store backroom but not on the designated shelf, it also considered factors such as different product categories, days of the week and levels of brand loyalty to understand buyer behavior (Zinn & Liu, 2001).

Stock-out situations in the retail environment and their implications for the retailer and buyer have received much attention in literature. While earlier research focused on the initial definition and measurement of buyer stock-out reactions as well as potential cost and revenue losses due to product stock-outs (Emmelhainz et al., 1991; Peckham, 1963; Walter & Grabner, 1975), later studies determined their research to

the buyer and the behavioral patterns linked to this kind of phenomenon (Campo et al., 2000; Emmelhainz et al., 1991; Schary & Christopher, 1979; Verbeke et al., 1998).

Stock-out has been a significant retail problem. The progress has been limited and in the past forty years stock-out rate have consistently averaged above 8 percent. Suppliers are mentioned as responsible for stock-out (Vasconcellos & Sampaio, 2009).

Stock-out needs to be distinguished from the concepts de-listing and PAR (Permanent Assortment Reduction) in which an item is completely removed from the shelves with no intention to be available again. Buyer reactions are expected to differ in these two categories as stock-out situations are unexpected and the customer needs to react in this very situation while PAR might already be expected by the buyer and lead to different responses (Campo et al., 2003; Sloot et al., 2005). Another concept related to the (un)availability of products is OSA which refers to on-shelf-availability and describes the saleable item to be available on the shelf when the customer's purchase intention arises (Chopra & Meindl, 2007).

ECR Europe (2003) takes the understanding further by defining stock-out as “a product not found in the desired form, flavor or size, not found in saleable condition, or not shelved in the expected location – from the perspective of the buyer”. This definition explains that buyer wants to purchase the goods and doesn't purchase it even the goods are physically available. The only reason for not purchasing the goods can be the condition or location that is expected by the customer.

For many years, literature has used several perspectives to point out that STOCK-OUT are frequent and generate important losses for manufacturers and retailers (Peckham, 1963; Schary & Christopher, 1979; Walter & Grabner, 1975). Producers as well as retailers can experience significant losses as a result of out of stock situations. The extent of these sufferers depends on specific end user responses, which have been originated to vary with product, store, customer, and situational factors (Loya et al., 2015). The knowledge of the customers' reaction in stock-out situations is crucial for retailers to minimize lost sales and loss of customer loyalty. Therefore there has been substantial interest in the topic of customer's reaction to stock-out since the 1960s (Sloot, 2006).

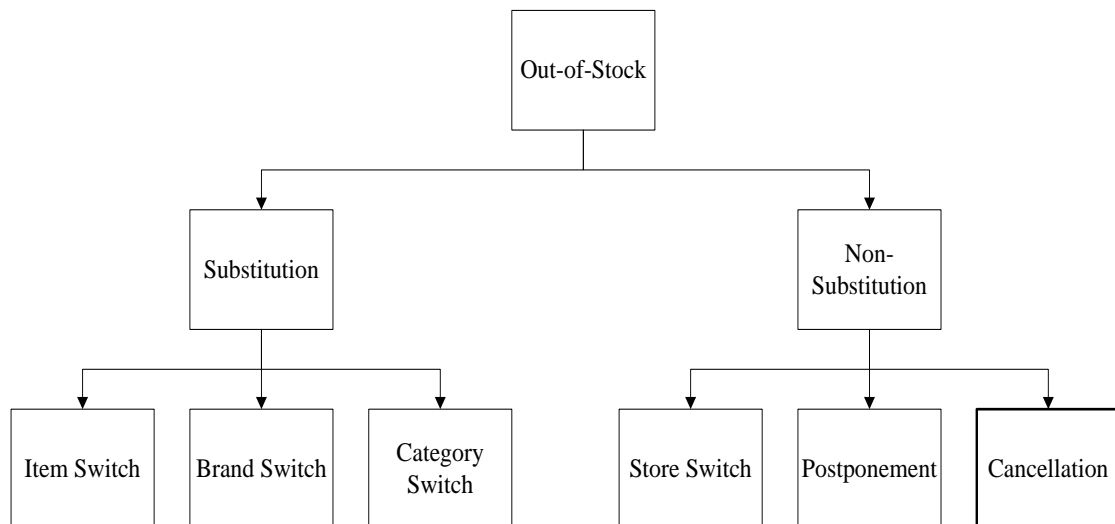


Studies on behavioral responses to such stock-out situations date back to the 1960s when (Peckham, 1963) and the (Progressive Grocer, 1968) descriptively analyzed how customers react to the short-term unavailability of products at the POS. Later studies on stock-out have primarily considered the probability of different behavioral patterns and have linked them to product related, store-related, buyer-related and situation-specific variables (Campo et al., 2000; Emmelhainz et al., 1991). At this, most of these studies have differentiated between item switching, brand switching, store switching, purchase postponement and purchase cancellation as main stock-out responses.

There are typically five main reactions: buying another SKU of the same brand, switching to another brand, postponing the purchase until a later visit, buying the brand in another store, or cancelling the purchase altogether (Corstjens & Corstjens, 1995). Switching to another SKU of the same or another brand is the most common reaction (Emmelhainz et al., 1991; Zinszer & Lesser, 1981).

A study conducted by the Grocery Manufacturers of America, which surveyed 71,000 buyers in 661 retail outlets, found that the average out of stock rate in a grocery category is 7.9 percent, and it costs retailers 4 percent loss in category sales. Out of stock is also reported as a top concern among retailers in Asia, Europe, and Latin America (Gruen et al., 2002). Given the prevalence of stock-out, an important question that arises is how buyers respond to frequent and recurring stock-out when making purchase decisions.

In order to investigate customer's reactions most previous researchers have asked customers how they would react when they encounter stock-out products. The responses studied by (Sloot et al., 2005) are further divided into the categories 'substitution' and 'non-substitution' as it was found that buyers first make a decision between these two options and then make a decision within the chosen category (Emmelhainz et al., 1991; Sloot et al., 2005) which is presented in figure 2.2.



*Figure 2.2 STOCK-OUT Responses*

Adapted from (Sloot et al., 2005), the major six buyer responses according to (Sloot et al., 2005) are:

- Store switch: Going to another store on the same day to buy the item that is stock-out.
- Item switch: Switching to another format or variety of the same brand.
- Postponement: Postponing the intended buy until the next regular trip to the supermarket.
- Cancel: Dropping the intended purchase completely or postponing it for a longer period of time.
- Category switch: Buying a substitute product from another product category.
- Brand switch: Buying another brand within the same product category.

Studies of stock-out reactions typically do not consider these six reactions simultaneously. Verbeke et al (1998) only focus on reactions store switch, postponement, and brand switch, whereas Campo et al (2000) do not explicitly consider reactions category switch or brand switch. In addition, different definitions and measurement approaches are used by different researchers. Campo et al (2000) include a brand switch within the item switch reaction, though they differ significantly. Buying another item of the same brand can be considered an indication of brand loyalty; buying an item of another brand indicates the opposite. Loya et al (2015) it shows that buyer react differently prior to the particular variable. Buyers who had limited time to shop and were not able to find the preferred brand were more

likely to leave the store or delay purchase, and hence blocking the revenue stream of the retail store. But a brand loyal person who had used the product for more than 6 years was ought to delay or leave the store. The study further reveals that store distance had a significant effect on buyer response to stock out.

Gruen et al (2002) a global study was conducted and found that store switch followed by brand substitution is the most popular options for buyer when they face stock-out. ECR Europe (2003) examining European stock-out situations, major findings as the study found that brand switch is the most popular response followed by store switch and purchase postponement. Item switch was ranked third in (Gruen et al., 2002). Category switch did not receive attention in any of the two presented studies. However, both the studies show that purchase cancellation is the least preferred option for buyers faced with a stock-out. Studies showing that the category switch as well as cancellation is rather low. These two options receive less attention while emphasis will be put on the most dominant choices store switch, brand switch, item switch and postponement (Gruen et al., 2002; ECR Europe, 2003; Sloot et al., 2005).

Hajszan and Timmerman (2016) it was found that buyers were most likely to switch to another product of the same brand. Buyer also responded to postponing the purchase until the product is available again. A great difference in behavior was detected in relation to switching to another store to buy the intended product.

According to (Schary & Christopher, 1979) the leading factor was the tradeoff between store loyalty and buyer loyalty. In this perspective, (Emmelhainz et al., 1991) added causes like urgency of the need, intended creation usage (regular usage vs. special occasion) and brand loyalty versus store loyalty and finally, (Verbeke, 1998) included the intensity of retail competition, the degree of store loyalty and the buyer's shopping patterns.

Almost 45 percent of the buyers were not willing to switch brands when their preferred brand was stock-out: they either switched stores or postponed the purchase. These stock-out responses differed substantially per brand. It seemed that buyers were willing to undertake behavioral efforts in order to obtain their preferred brand (Verbeke et al., 1998).

A number of researchers argue that two studies marked the beginning of stock-out research. one of the first studies to be conducted in the field of stock-out was

published by Peckham (1963) in cooperation with the A.C. Nielsen company on stock-outs in the grocery environment and their potential to cause a loss of business to the retailer as well as the manufacturer.

## **2.2 Review of Related Empirical Studies**

Most studies apply either a field experiment or a survey. In field experiments, true stock-outs are studied. Researchers either remove specific items or brands in advance of the research or ask buyers if they encountered a stock-out situation during their shopping trip (quasi-experiments). Studies that apply exploratory designs (e.g., surveys) consider hypothetical stock-out situations. In these cases, respondents are asked how they would react if a purchased item or brand were unavailable. We expect that these differences in research design influence the stock-out reactions of buyers. For example, the “cost” of switching stores is obviously lower in surveys, because buyers do not really have to perform this time-consuming activity (Sloot, 2006).

The literature is summarized in the Table 2.2, with special emphasis on SDL behavior because it is the basis for the framework which was used to measure buyer behavior in this research. Some of the papers included in the table also report the percentage of item switch and brand switch as in one category.

When buyer encounter out of stock situation at retail outlet, they mainly response: brand switch, store switch and postpone their buying. The results, however, differ strongly from study to study making it difficult to detect general patterns of stock-out behavior. Apart from the above table, there are many other findings on buyer response towards out of stock situation. In the field design of survey and field experiment done, buyer mostly preferred to substitute a brand or product. In the survey findings of (Walter & Grabner, 1975; Campo et al., 2000; Sloot et al., 2005; Emmelhainz et al., 1991; Verbeke et al., 1998) buyer responded towards product/brand substitution when they encounter out of stock situation. The number of respondent was from minimum of 200 to maximum of 2810, from the above reviewed literature.

In the article, “Managerial response to stock-outs: the effect of remedies on buyer behavior”, the author gave the description on the field design on how they have measured the buyer response towards stock out situation at retail store (Sampaio & Sampaio, 2015). SDL behavior were measured related to brand equity and hedonic products (Sloot et al., 2005) measured SDL behavior by brand loyalty, store loyalty

and amount of purchase Verbeke et al (1998) measured SDL behavior after removing key products from the shelf. Emmelhainz et al (1991) proposed a formal model that charted all possible response to stockouts. Walter and Grabner (1975) examined products characteristics, buyer characteristics and situation characteristics as correlates of SDL behavior. Campo et al (2000) short-term SDL behavior in terms of buyer and perceived store characteristics, as well as situational and demographic variables (Zinn & Liu, 2001).

### **2.2.1 Antecedents Shaping STOCK-OUT Buyer Response**

To develop a better understanding of the antecedents shaping stock-out buyer behavior, the four dominant variables that shape buyer stock-out responses as applied and studied across stock-out literature will be presented (Campo et al., 2000; Schary & Christopher, 1979; Sloot et al., 2005; Verbeke et al., 1998; Zinn & Liu, 2001). Loya et al (2015) has mentioned specific time constraint under buyer variables but studies across stock-out literature by different authors have included under situational variables and in this research paper, the researcher has decided to include specific time constraint under situational variables. Verhoef and Sloot (2006) extended their model by adding the fifth dimension ‘brand-related variables’, however, the researcher of this paper decided to not further distinguish brand-related variables but to include them in the product-related category.

In order to study about the buyer response towards preferred brand out of stock situation at retail store, seven independent variables have been considered. The independent variable that has been used to make the study is described below:

#### **A. Situational Variables**

Situational characteristics are concerned with the conditions that apply for the specific shopping trip the buyer experiences a stock-out situation in (Sloot et al., 2005). Under situation-related variables, researchers have examined shopping decisions from a time perspective because these decisions may depend heavily on the moment of purchase (Helm et al., 2013). One of the most researched aspects within situational-related variables are:

- **General Time Constraints:** In short, Time is the continued progress of existence as affecting people and things. According to (Rouse, 2006) “Time is

a practical convenience in modern life. A literal definition is elusive.” Constraint is a limitation or restriction. Cambridge Dictionary (n.d.) defined constraint as an unnatural behavior that is sometimes the result of forcing yourself to act in a particular way.

Howard and Sheth (1974) states that, “In highly urbanized societies, people were busy working for additional hours and both the parents (husband and wife) were engaged in employment, general time constraint was high and buyers were less pertinent to adopt different brands. Howard and Sheth (1969) states that the time pressure has been identified as an exogenous variable capable of influencing buyer behavior.

Goodman (2008) stated that on weekdays, the busiest time at grocery store is late afternoon. More shoppers arrive at the store between 4 PM and 5 PM than during any other hour of the day. Furthermore, it can be seen that the average time spent grocery shopping is 41 minutes. Women spend a bit more time in the store than do men and younger adults and those with lower income also spend longer than others, although the differences across these market segments are not great.

Loya et al (2015) examined people who shopped for more than 2 and less than 3 hours tend to leave the store. And out of all, 60 percent respondent spends more than 2 and less than 3 hours on buying regular household requirement. From the Nepalese market perspective, general time spending on purchasing goods is explained in findings section of this research paper.

Multiple studies stated that urgency of need has a high impact on a buyer’s stock-out decision-making. Due to time constraints, a high urgency of need positively affects a customer’s decision to substitute the product rather than to switch store (Campo et al., 2000; Emmelhainz et al., 1991; Zinn & Liu, 2001).

- **Shopping Trip:** Shopping is an activity in which a buyer browsers the available goods or services presented by one or more retailers with the intent to purchase a suitable selection of them. Some people call shopping as a leisure activity as well as an economic one. The shopping experience can range from delightful to terrible, based on a variety of factors including how

the customer is treated, convenience, the type of goods being purchased, and mood ( Arnold et al. , 2005).

Shopping trip can be major variable and be defined by quantity spent on shopping. Kollat and Willett (1967) time between two shopping trips and by customers' self-definition of trip-customer's insights about necessity of needs and/or quantity of exertion and time assurances involved.

Several studies have suggested that buying urgency is an important determinant of stock-out response (Campo et al., 2000; Emmelhainz et al., 1991; Zinn & Liu, 2001). When a specific product is needed immediately, buyers cannot postpone the purchase. Therefore, they are more likely to buy a substitute or switch stores to buy the needed item.

Campo et al (2000) also consider the type of shopping trip as an antecedent of stock-out reactions. Buyers who visit the store for a major shopping trip are less likely to switch to another store and more likely to buy a substitute. The underlying rationale for this effect is that a major shopping trip is very time consuming, and buyers are therefore reluctant to spend additional time shopping in another store.

If buyers have smaller total purchase amounts, they might find it easier to switch stores. Buyers who purchase in small amounts may also shop more frequently in the same store and/or visit more stores than those who buy in large total amounts. It is not exactly clear though, why buyers do engage in these shopping trips, but they might enjoy shopping more or they have more time. In either case, the more frequently these people visit their own store, the greater is their ability to postpone. In addition, the more familiar buyers are with other stores, the more likely we believe they are to visit these stores in response to a stock-out.

Consequently, when confronted with a stock-out of their preferred brand, the buyers might incur substantial psychological effects like irritation, but they can more easily compensate for this because of their shopping habits. Buyers who shop frequently are more likely to postpone a purchase, because the chance of being without the product at home is smaller than for buyers who

shop less frequently. However, there is no empirical evidence for such an effect (Campo et al., 2000).

Shopping trips can be categorized into two types - major shopping trip and a fill-in shopping trip based on purchase amount, shopping frequency and level of planning. Large-scale retail formats are preferred by shoppers for major shopping trip for merchandise-related store attributes such as assortment, price and discounts or special offers. On the other hand small format stores such as convenience stores and small supermarkets are preferred for fill-in trips for reason of convenience and service that make the shopping trip easier and quicker to carry out (Walters et al., 2003). Nagare and Dutta (2016) that those are making major shopping trip prefer to substitute as compared to those who prefer fill in trip to substitute. A buyer making a major shopping trip to a large format shop to buy a basket of consumption goods in large quantities for stock replenishment is unlikely to switch store for missing a few items and tend substitute or delay the purchase.

Researchers have tended to categorize a shopping trip as being a major shopping trip or a fill-in shopping trip. Various approaches have been used to determine the type of shopping trip undertaken by buyers. In the literature the most frequent indicators used were the dollar amount spent on the trip, amount of time spent inside the store, the time elapsed between measures, and the buyer-generated measures on the purpose of the shopping trip (Walters et al., 2003; Kahn & Schmittlein, 1992; Frisbie, 1980; MacKay, 1973; Kollat & Willett, 1967). According to the cited literature, a major shopping trip can be defined as a trip that is conducted on a less frequent basis, where buyers spend much time inside the store to purchase a large number of items to fulfill short and long-term needs. On this trip, shoppers spend larger portion of their grocery budget. As opposed to major shopping trip, a fill-in-shopping trip is conducted more frequently in an average month. It is designed to satisfy more urgent needs to replenish perishables that are frequently consumed, such as milk, eggs, and bread. It involves smaller effort and time commitments, fewer items purchased, less money spent per trip, and a smaller portion of the buyer's overall grocery budget.



Situational characteristics are concerned with the conditions that apply for the specific shopping trip the buyer experiences a stock-out situation in (Sloot et al., 2005). Sloot et al (2005) found that the time of the week in which the purchase is made, has an effect on stock-out reactions. Helm et al (2013) studied that purchases towards the end of the week are more likely to be substituted, postponed or even cancelled. Sloot et al (2005) found that buyers are more likely to postpone the purchase during the first part of the week. Sloot et al (2005) findings complement a global study conducted by the Grocery Manufacturers of America, that examined that the chance of the occurrence of an stock-out increases by the end of the week with the highest stock-out percentages being detected on Sundays and Mondays (Gruen et al., 2002). Furthermore, the overall purchase quantity of the shopping trip impacts stock-out response by making it less favorable for the buyer to postpone the purchase the larger the quantity gets (Campo et al., 2000). Literature also considered a buyer's pre-visit agenda, indicating that the purchases were planned in detail in advance, as possible situational influencers of stock-out responses. Planned purchases are less likely to be postponed and more likely to result in switching stores. The likelihood of substitution did not receive any attention (Helm et al., 2013; Zinn & Liu, 2001). When looking at the related phenomenon of impulse buying, Sloot et al (2005) found similar indicators as their results stated that unplanned purchases are more likely to be postponed or cancelled and unlikely to lead to a store switch. However, purchase planning is likely to be related to the intended product usage, which has proven to lead to different stock-out responses. Emmelhainz et al (1991) differentiated between products intended for regular use and products intended to be purchased for a special occasion. Their study found that the majority of customers responded by substituting the product if it was for regular use, while less than half of the respondents chose to substitute the product if it was for a special occasion.

- **Specific Time Constraint:** Buyers often make choices, ranging from which brand of toothpaste to buy to which stock to buy, under time pressure (Cristol & Sealey , 1996). Furthermore, a number of studies that have examined the effect of time pressure on forced choice find three general ways in which people respond to time constraint. At first, buyers tend to accelerate the rate at

which they examine information when deciding under time pressure (Ben Zur & Shlomo, 1981). Secondly, buyer tends to filter information in such a way that they focus on the more important attributes. For example, time pressure increase more weight on more meaningful features and in a particular may increase the attention devoted to negative information (Ben Zur & Shlomo, 1981; Svenson & Edland, 1987; Wright, 1974). Thirdly, buyers choosing under time pressure may alter their decision strategy. In particular, a number of different studies suggest that a common response to limited time is for the decision maker to shift from using compensatory to no compensatory decision rules (Payne et al., 1988; Svenson et al., 1990).

Campo et al (2000) further found that time pressure and the time available for shopping influence stock-out reactions. Little time available and strong pressure is more likely to lead to the substitution of the item or brand as opposed to store switch or cancellation and postponement.

It has been suggested that the development of economies is innately connected with the element of time pressure (Gross & Sheth, 1989). Nowlis (1995) examined how buyers implicitly trade off price with quality when making product choices and found that buyers in conditions of time constraints were more likely to choose: (1) higher-quality, high-price brands, (2) high-quality brands over low-quality brands, and (3) top-of-the-line products with many enhanced product features over basic models with fewer features. From this research, it can be assume that, people who have much needed time while purchasing goods from retail store tend to delay their purchase or switch the store in order to purchase the goods they have planned. There is less chance of substitution response from the buyer.

Several studies have suggested that buying urgency induces substitution or store switching to buy the needed item but rules out deferment of purchasing (Campo et al., 2000; Emmelhainz et al., 1991; Zinn& Liu, 2001). Buyers are also more likely to delay the purchase when the urgency to purchase the product is low. Zinn and Liu (2001) further added that urgency of purchase correlates with a greater likelihood to substitute the item and a lower probability to delay the purchase. Thus, customers who need an item urgently are more likely to substitute the item and less likely to delay than customers

who do not need the item urgently. This may have implications for buyers in certain types of situations, such as those who need to buy a gift needed that same day or late Christmas shoppers. Nagare and Dutta (2016) clearly rule out purchase delay or deferment in case of urgency and induce behavior of substitution or leave the store for buying the item of first choice.

Different activities compete for customers' time, so those under time pressure cannot invest more time in a shopping trip. Accordingly, customers with less time are more likely to search for a different brand) and less likely to switch stores (Helm et al., 2013). The time constraint or time pressure also may be an explanatory variable. Campo et al (2000) show that buyers who have less time to shop are less likely to switch stores and more likely to buy a substitute. Related to time constraint is the age of the buyer. Peckham (1963) reports that age is negatively related to substitute buying. A possible reason for this relationship may be that older people have more spare time to shop; therefore, they have fewer time constraints against switching stores.

## **B. Store Variables**

Store-related variables are characteristics related to the store or retail chain in which a buyer experiences a stock-out situation (Sloot et al., 2005). One of the most researched aspects within store-related variables are:

- **Store Loyalty:** A store can be any size of shop where people can buy different types of goods. Stores prosper when customers give them a high share of their spending (share loyalty) and retain them over long periods (East et al., 2010).

Store loyalty is explained as the outcome of several customer processes: as a 'time-saver' effect – a rational allocation of effort given available time and money, control by the environment, attitude to the store and a propensity for routine. The first was not well supported; there was evidence in favor of the last three (East et al., 2010). Store loyalty is an extremely important financial consideration for all supermarkets, as acquiring new customers is expensive due to advertising, promotional, and start-up operating expenses (Knox & Denison, 2000).

Emmelhainz et al (1991) and others have suggested that store loyalty will affect out of stock situation responses. If buyers are more familiar with other stores, the more likely it is to be believed that they are to visit other stores in response to a stock-out. The size of the typical purchase amount in the store may affect stock-out responses too.

Verbeke et al (1998) had distinguished three degree of store loyalty. The first one is those buyers who makes more than half of their weekly shopping trips to test score are classified as store loyal. The second one are those buyers dividing their trips equally between the tests store and other stores are classified as opportunists. Lastly, the third one are those buyers reporting more shopping trips to competing stores are classified as competitor loyal. Past research has also indicated that stores loyal will be more likely to switch brands than to visit other stores to find their brands (Emmelhainz et al., 1991). It is obvious that buyers doing most of their shopping in a single store would face a smaller choice set than buyers shopping in several stores.

Store loyalty was biased behavioral reaction articulated over time. Store liking and satisfaction leads to store loyalty (Bell & Lattin, 1998). Store loyal reside so in unconstructive event like stock out. Thus, it was likely store loyal people have been somewhat disturbed by stock out situations.

Reynolds et al (1975) have suggested that store loyal tend to be less venturesome, suggesting they would be more likely to switch brands. These buyers, in other words, adopt their brand preferences according to the time they prefer to shop. Considering store loyalty to a hypermarket, the results shows that buyer have shown inclination for substitution, and less number would prefer to leave the store to buy the item on the same day and would delay the purchasing. Confronted with an stock-out, they will experience lower degrees of irritation due to their brand stock-out, but the behavioral efforts of going to another store might be perceived to be higher (too venturesome). Therefore, they would rather stay in the store and switch brands than switch stores or postpone buying. Emmelhainz et al (1991) find that store loyal buyers would rather postpone buying the brand.

A number of studies are concerned with the factor store loyalty and its effect on stock-out responses. Most studies report a positive effect on substitution of the

missing product by item or brand switch or postponement or cancellation of purchase while store switch is the least likely stock-out response of store loyal customers (Campo et al., 2000;Emmelhainz et al., 1991). Store loyal buyers are more likely to substitute, postpone or cancel their purchase (Helm et al., 2013).

Buyers select and patronize store based on their need, perceptions, images and attitudes formed towards store on the basis of experience and information and concentrate purchasing in one store. Store loyalty is influenced by factors such as merchandise quality, pricing, assortment, location convenience, salesclerk service, and general service.

Customers expect the retailer to take responsibility for the stock-out and compensate them in some way. Customers' responses indicated that loyalty to retailer became more negative as a result of frequent stock-out occurrences. Stock-out experiences caused varied levels of customer disappointment (Turk, 2011). In his research, it was found that, out of 200 respondents, 35 percent of respondents disappointed with stock-out. A smaller number, 13 percent expressed strong disappointment after the stock-out experience. Stock-out experiences have a direct influence on whether customers revisit the retailer. Jing and Lewis (2011) concluded, "The impact of stock-out cannot be fully evaluated without understanding how inventory shortages influence long-term customer behavior." Previous research efforts focused on whether customers switched stores after stock-out experience but did not conclude whether the intended switch was short or long-term. McKinnon et al (2007) concluded that there is high probability that customers will abandon the retailer and purchase the item elsewhere. Results of this study conducted by Turk (2011) indicated that retailers could turn the stock-out experience from negative to positive by offering loyalty incentives in the form of personalizing the issue and offering some financial reward as a compensation for the customers' time and effort. After a single stock-out experience customers' attitude toward the retailer remained generally neutral with few customers indicating intentions to switch retailers only temporarily. Customers who feel the retailer is taking personal interest in helping to mitigate or resolve the stock-out issue are more likely to remain loyal to the retailer. Customers consider stock-out to be a customer service problem and expect retailers to take necessary steps to mitigate it.

Retailers can mitigate the negative effects of stock-out by providing customers with loyalty rewards in the form of discounts, store credits, or coupons. Offering discounts on substitute or other purchased item could also be considered as positive gesture to mitigate stock-out effects (Turk, 2011).

- **Perceived Store Price:** Setting the right price for the product or service is hard. In fact, determining price is one of the toughest things a marketer has to do, in large part because it has such a big impact on the company's bottom line (Gallo, 2015). The author further added that, most customers in most markets are sensitive to the price of a product or service, and the assumption is that more people will buy the product or service if it's cheaper and less will buy it if it's more expensive.

The price level is a major consideration for buyers during purchasing process. Broadly, price is the total amount that being exchange by the customer to obtain a benefit of the product or service. The price is defined as the money that customers exchange in terms of service or product, or the value they receive (Kotler & Armstrong, 2010). From the marketer's point of view, an efficient price is a price that is very close to the maximum that customers are prepared to pay. From economic point of view, it is a price that shifts most of the buyer economic surplus to the producer.

Overall, perceive price of store level manipulates store support, store attitudes and the choice of store. Lower perceived store price restrain switching store in stock out (Zinn & Liu, 2001). Zinn & Liu (2001) suggest that only two variables are significant in estimating the probability that buyer will leave the store in case of stock-out situation. In the case of the previous behaviors of substitution and delay, perception of store prices was significant. Buyers who perceived store prices to be lower as compared to other competition are less likely to leave the store. Zinn and Liu (2001) summarized that store prices significantly affects all three of the SDL behaviors. He further added that, buyer who perceives store prices as lower than the competition is more likely to substitute the item or delay the purchase and is less likely to leave the store. This finding indicates that the perception of low store prices is an important factor for the customer to decide whether to switch stores or not.

Perceived overall store price level influences store patronage, store attitudes and store choice. The store under consideration is a hypermarket that operates with economies of scale and scope can afford to sale at lower prices. It is perceived as a discounter that may result in large saving in basket buying. Nagare and Dutta (2016) found out in his research that about 82 percent buyers want to stay with the store either through substitution or delaying the purchasing and only 18 percent buyers wants to leave the store.

- **Perceived Store Service:** Kotler and Armstrong (2010) defined service as, “Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Services are a form of product that consist of activities, benefits, or satisfaction offered for sale that are essentially intangible and do not result in the ownership of anything.

Retail industry is trying to improve customer service at new competition. Personalized retail services have become a trend in customer service. Siler (1995) stated that, when buyers shop in retail stores, size is of minor consideration, quality, service, performance and management are more important.

Style and customer service approach of the owner are an extension of the style for a family-run stores. Usually they exhibit a strong loyalty to their stable of brands, which are selected to sit alongside each other and appeal to the retailer’s core customer. The only major difference between family-run store and other super store is that: Family-run stores offer a very personalized service to their customers. They will review new products such as pinpointing specific brands and products. Because they are small (frequently one shop only), service in the shop is specific to the customer, who is encouraged to enjoy and linger over the shopping experience (Stern, 2008).

Pan and Zinkhan (2006) providing only physical products that address buyers’ needs to offering a solution center that integrates the sale of both physical products and value-added services to attain competitive advantages. Davies et al (2006) retail stores have evolved from those phases. If these codes can be

cracked, it can lead to higher levels of customer retention, increased sales and, in turn, improved profits (Parasuraman et al., 1988).

Several studies have been made on service quality within the retail sector, such as (Long & McMellon, 2004; Kim & Jin, 2002; Siu & Cheung, 2001; Sweeney et al., 1997; Dabholkar et al., 1996) have explored important dimensions of service quality within the retail sector.

Store service refers to general service, salesperson service, convenience in locating goods, returns, and credit policies. Salesperson service in locating missing item, suggesting alternative to stock-out item and helping the buyer in making decision of buying substitute plays important role in CRS. Therefore, salesperson play important role in inducing substitution by facilitating decision making about alternative (Nagare & Dutta, 2016).

When buyer finds the stock-out situation at the retail store, the only one way they will switch the store is if they find the services provided by the other store is either similar or better than the existing store. If the service provided by the other store is worse than the existing store, then the buyer will not switch the store. Here, service can be related to whenever any buyer visits the store to purchase the items, they are not ignored. Home-delivery; first come, first serve, service; entertain telephone queries; stock out products are delivered to the customers by collecting it from other stores can also be related to store service.

Trautrim et al (2009) customer service for retail buyers is manifested by product availability as the fundamental performance indicator of the entire supply chain. Securing the adequate availability level also raises the service quality level in retail stores, which can make a positive impact on customer loyalty and the business performance of retailers and their suppliers (Mittal et al., 2005). However, the demand cannot be met due to insufficient amounts of products on stock; out-of-stock (Stock-Out) problem emerges.

### **C. Product Variables**

Product-related variables are characteristics related to the specific product or brand in which the customer experiences a stock-out (Sloot et al., 2005). One of the most researched aspects within product-related characteristics are:



- **Brand Loyalty:** Brand is a complex phenomenon (Maurya, 2012). Brands have been widely discussed and debated in academic world. A common understanding on brand could not be made among the brand experts. “Each experts comes up with his or her own definition of brand or nuances of definition”, which increases the complexity in brand interpretation as well as its management (Kapferer, 2004).

American Marketing Association (1960) defines brand as “A name, term, design, symbol, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from competitors.” It can be interpreted as; Brands are a means that differentiate from the competitors or from the entry of new competitors in future.

With the appearance of deceptive sales, poor customer care and crooked promotion, keeping loyal customers becomes even more difficult (Mao, 2010). Aaker (1991), Brand loyalty reflects how likely a customer will be to switch to another brand, especially when that brand makes a change in price, product features, its communication or distribution program. Rowley (2005) concludes that there are four types of loyalty: captive, convenience-seekers contented and committed. Captive buyers are the ones who repeatedly purchase the same product, service and brand because of lack of opportunities to substitute for alternatives. Convenience-seekers may not respect the brand itself but they are the ones that look on the convenience that can carry. Contented buyers are those buyers that have a positive attitude to a brand but they won't attempt to some extra consumption. Committed buyers are nearly the perfect ones. They are the buyers that are committed, who are active in both attitude and behavior.

Customers can recognize variations among brands, which easily leads to devotion in favor one brand. An extrinsic stimulus like stock out could force a choice of brand other than the favorite. Exchange was less likely to if risk of switching was high. Strength of liking was high or brand loyalty was high. When brand loyalty was high, end users react significantly and negatively to stock out. Brand loyal people also lack using up and switching knowledge, making switching hard. Delaying or store switch may cost extra pressure.

One of the most researched aspects within product-related characteristics is brand loyalty. A number of studies show that brand loyalty negatively affects brand substitution, but positively relates to store switch (Campo et al., 2000; Sloot et al., 2005) indicating that loyal brand buyers are more likely to put additional effort into the acquisition of the intended brand. Sloot, Verhoef, and Franses (2005) further examined hedonic and utilitarian brand types to have a different effect on buyer stock-out reactions. While products that provide the buyer with a hedonic benefit such as fun, pleasure and excitement have a positive effect on store switching, utilitarian products, which are primarily functional and instrumental, are more likely to be substituted.

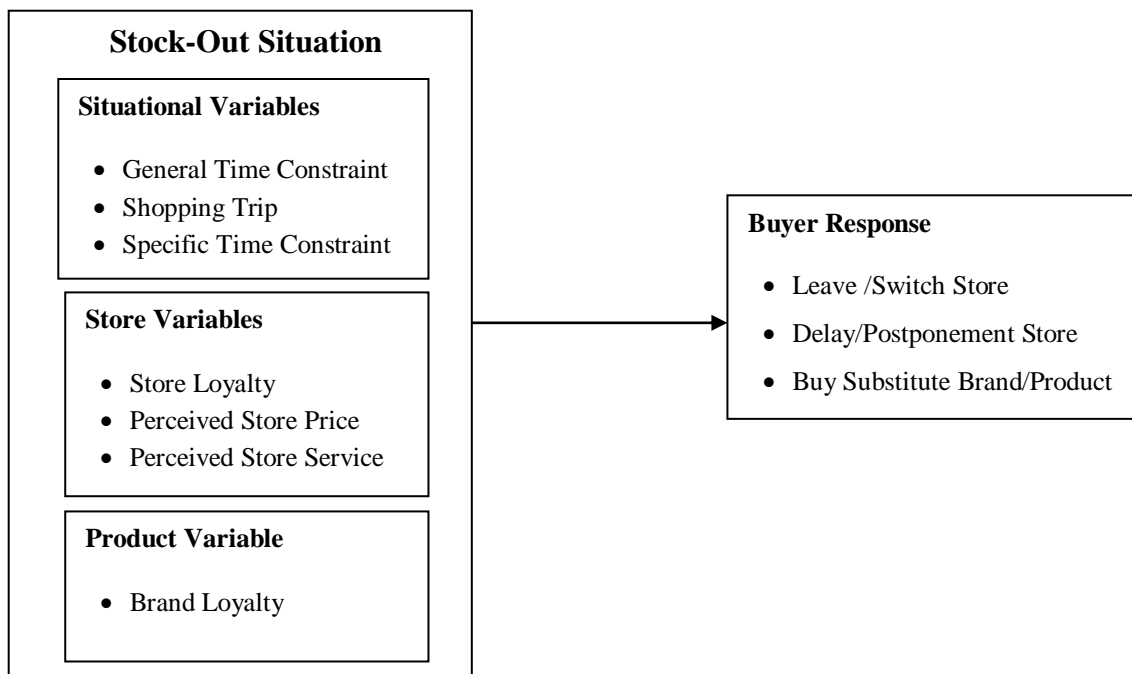
Several studies have shown that the more loyal a buyer is to a specific brand (in terms of attitude or behavior), the less likely he or she is to switch to another brand in the case of a stock-out occurrence. Furthermore, brand-loyal buyers are more likely to buy the stock-out item or brand in another store (Campo et al., 2000; Emmelhainz et al., 1991; Peckham, 1963; Verbeke et al., 1998). Charlton and Ehrenberg (1976) found that out of stock has no medium term consequence on brand loyalty. The literatures on sales promotions, however, suggest that loyalty patterns change as a result of trial of competing brands.

Schary and Christopher (1979) discovered that stronger buyer preference for a specific brand increases the desire to go to a different store to find the product. Ge et al (2009) also discovered an out of stock item could become more attractive and desirable product to some customers. As a result, customers are more likely to switch retailers to purchase a desired product.

Turk (2011) on his research wants to discover whether customer loyalty to the brand was affected by the stock-out experience at retailers. In his research it was found that, repeated stock-out occurrences increase risks to customer brand loyalty. Frequent stock-out experiences can lead to switch brands temporarily, and most of respondents indicated that they would consider permanently switching to a more reliable brand.

## 2.3 Study Framework

On the basis of literature review, the following study was developed. Specifically, this study consider dependent variable (Buyer Response) and independent variable which includes four main groups i.e. Situational Variables (General Time Constraint, Shopping Trip, Specific Time Constraint), Store Variables (Store Loyalty, Perceived Store Price, Perceived Store Service), Product Variable (Brand Loyalty) which has been conceptualized in the following figure based on the literature reviewed. The proposed study has not been carried out in Nepalese context till date. In order to fill these research gaps the following theoretical framework which is presented in figure 2.3 is proposed with respect to literature review.



*Figure 2.3 Study Framework*

Figure 2.3 shows all the independent variables and dependent variable associated with this study. It explains the buyer response towards preferred brand out of stock situation at retail store which is affected by various independent variables i.e. General Time Constraint, Shopping Trip, Specific Time Constraint, Store Loyalty, Perceived Store Price, Perceived Store Service, Brand Loyalty.

- 1. General Time Constraint:** General time constraint is concerned with how much time they generally spend on buying regular household requirement. The types of item or goods generally differ the time spend on shopping.

2. **Shopping Trip:** Shopping trip is concerned with how often buyer prefers to purchase their product at the retail store. It might also differ according to the different types of goods or items.
3. **Specific Time Constraint:** Different activities compete for customers' time, so those under time pressure cannot invest more time in a shopping trip. Accordingly, customers with less time are more likely to search for an alternative brand and less likely to switch stores (Helm et al., 2013).
4. **Store Loyalty:** Store loyalty, in an attitudinal and behavioral sense (Verbeke et al., 1998; Campo et al., 2000; Sloot et al., 2005) is likely to have a negative influence on store switching. Store loyalty buyers are more likely to substitute, postpone or delay their purchase.
5. **Perceived Store Price:** This is mainly connected with how buyer perceive store price compared to competitor store. Buyer might perceive that the existing store is charging at lower, moderate or high price as compared to other store.
6. **Perceived Store Service:** This is mainly connected with how buyer perceives store service compared to competitor store. Buyer might perceive that the existing store is providing better, similar or worst service as compared to other stores.
7. **Brand Loyalty:** Several studies have shown that increasing brand loyalty minimizes the likelihood of a brand switch. Brand loyal buyers are also tending to delay their purchase if their preferred brand is out of stock.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

The following chapter illustrates the methodological approach used for this research to meet the stated objective of the study. This chapter begins to present the research strategy along with the research design, sampling technique as well as the instrumentation used for the research. It explores the research process regarding buyer response towards preferred brand stock out situation at retail store. This chapter hence provides information about research design, sources of data, questionnaire, data collection procedures, population and sampling, instrumentation and data analysis plan. All in all the primary objective of this chapter is to showcase the methods and procedure utilized to get the accurate result keeping research objective in view.

#### **3.1 Research Design**

Research design can be described as a general plan specifying the methods and procedure for collecting and analyzing the needed information. Basically, this study is based on survey research design for understanding buyer response towards preferred brand out of stock situation at retail store. Here, the responses of the people about the stock-out situation at retail store have been gathered and how they feel when they encounter such situation has also been evaluated accordingly. Hence, for this, both questionnaire and published data are used with some in-depth interviews. Previous studies and researched which is related to the subject matter and the articles on the relevant subject matter published in journals and different websites are the secondary sources of data. For the collection of primary data, a set of questionnaire has been prepared and distributed within Kathmandu valley.

#### **3.2 Nature and Source of Data**

The questionnaire has been prepared in such a way that will help to find the buyer response towards preferred brand out of stock situation at retail store based on the situational variables (General time constraint, Shopping trip and Specific time constraint), store variables (Store loyalty, Perceived store price, Perceived store service) and product variable (Brand loyalty).

The study is based on descriptive analysis tool. In this research, there hasn't been the use of Cronbach's alpha as this research does not required reliability test based on the questionnaire format. The collected data was well entered into data processing software and was interpreted based on the outcome.

### **3.2.1 Procedure for Data collection**

The main instrument used in the conduct of the study is the structured questionnaire. The questionnaire was designed to meet the stated objective of the research. However, the data are collected from primary and secondary sources. The primary data obtained from semi-structured personal interviews and questionnaire that included different questions in 10 forms of multiple choices which is presented in the annexure. The secondary data is gathered from various websites, Graduate Research Project, relevant books etc.

The questionnaire mainly included multiple choice questions and five point Likert scale questions which is widely used rating scale that requires respondent to indicate a degree of agreement or disagreement with each series of statement. Here, Likert scale has five potential choices to each statement ranging from "Strongly Agree" to "Strongly Disagree" which later was converted into category questionnaire and frequency data has been presented.

### **3.3 Population and Sample**

With the objective of the present study being to examine the buyer's response towards stock out situation at retail store, the population for the study was 135 from different background profiles in Kathmandu valley. The respondents were asked to participate in an online survey and some respondents were asked to participate in a market at retail store. In market, the survey was conducted at retail stores, i.e., family stores/ mom-and-pop store or kirana pasal. Some of the respondents answered the asked question by themselves whereas, for some other, researcher had to translate the question into Nepali because they did not understand English language. The interview was conducted mostly during morning and evening time as it is the time for most of the buyer who purchase Toothpaste, Anti-bacterial soap and Shampoo. There were also a moments where respondent were asked to answer their response immediately

when they encounter stock out situation, which guarantees more accurate answers. The data was collected from retail stores of Gongabu, Basundhara and Balaju.

Respondents were defined the stock-out situation as the unavailability of products by the buyer at the point of purchasing time. Although questionnaires were distributed to a total of 135 samples, only 110 of them responded. Data was collected from a sample of 110 using survey questionnaires which includes gender, age, marital status, education, occupation and income per month. The survey was not taken to those respondents whose age is below 20 assuming that they are not aware about the brand and the buying behavior might be different as compared to other age group. Convenience sampling was used for this study as it is one of the main types of non-probability sampling methods.

The sample includes three different products: Toothpaste, Antibacterial Soap and Shampoo, and respondent were asked to respond their response when they encounter their preferred brand is out of stock at retail store. Here, buyer was asked to respond their stock out situation if they didn't find the product of their brand at the retail store. Importance was not given to any shape and size of the product (as this research was based only to know the buyer's responses towards preferred brand stock out situation at retail store.

### **3.4 Respondents Profile**

In this study the respondents has been sub divided into various categories for the purpose of simplicity and they are:

- Gender wise
- Age wise
- Marital Status wise
- Education level wise
- Occupation wise
- Income wise

The main reason behind sub categorization is that it will help the end users to know 'what specifically is the main key variable in this research influencing the output?' For example, in this research gender wise categorization helps the end users to know whether male or female are using more of the internet banking service.

### **3.5 Methods of Analysis**

The research methodology adopted was basically based on primary data from which many related information could be collected. Primary data were used for the study through the survey method. A structured questionnaire was prepared and distributed to the respondents electronically as well as through personal visit. The questionnaire is divided into two sections. The first section is about the respondent information including basic demographics information of the respondents and the second section includes multiple choice questions. Only one questionnaire includes the Likert type question which later was converted into category questionnaire and frequency data has been presented. Moreover, mean has also been calculated to see which statement buyer have been mostly agreed to. Thus, the second section of questionnaire is about the variables that affects the buyer response towards preferred brand stock out situation at retail store. The data collected from the questionnaire were analyzed using statistical tools and the result was presented in tables and charts for a clearer understanding. The conclusions were drawn on the basis of the findings from the analysis of research and appropriate recommendations were made accordingly.

The data collection phase was estimated to be spanned over a total of 15 - 20 days. The respondents were asked to respond on the multiple choice questionnaire based on the seven variables. Responses on the questionnaire were received within a period of 18 days. Out of the data collected from 110 respondents, 40 responded through online questionnaire and the remaining 70 responded through personal visit.

#### **Pilot Test**

A small-scale trial was done before collecting and analyzing the final data. The purpose of pilot test is to refine the questionnaire so that the respondents do not face any problems answering the questions and also to eliminate further problems in recording the data collected. Pilot test ensures that the collected data will be helpful in answering the research questions. For this research, at first, only 5 questionnaires were distributed to the respondent and they were in confusion on which item or product they have been filling the survey. Later the questionnaire was changed and kept the three items: Toothpaste, Antibacterial Soap and Shampoo, in each and every questionnaire and they were not in confusion thereafter. After that, the pilot study was done within the Gongabu area randomly by distributing the questionnaire taking 20



respondents as per convenience. For some respondent the researcher had to convert the questionnaire into Devanagari script as well as verbally to make them understand. The pilot study showed that the respondents did not find the questionnaire long and were clear and understandable. So, it became sure that the designed questionnaire can meet the research objectives defined at chapter one.

### **3.6 Limitations of the study**

Any research work to be conducted is not without its limitations or shortcomings. There are always some limitations present while performing any work. Likewise, this research has some limitations as well which are mentioned below:

- The sample size that has been taken is small.
- The study was mainly conducted taking into account only seven variables. However, there could be other drivers which would have impacted the level of buyer satisfaction during online purchase, which were not considered.
- Due to limited time and varieties of aspects within this research area, we have narrowed down the focus of the study and used non-probability sampling method.
- This research study is based on the respondents within Kathmandu valley. Hence, the results of the study may not necessarily represent the entire Nepalese population.

Hence, the project has been particularly prepared with the help of information or data obtained on limited basis. However, attempt has been made to make it as authentic and realistic as possible.

## **CHAPTER 4**

### **PRESENTATION AND ANALYSIS OF DATA**

This chapter describes the analysis results generated from the data collected. It deals with the analysis and interpretation of the primary data collected through questionnaire from 110 respondents. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main objective of this research study will be fulfilled with the outcomes derived from the analysis of the data.

#### **4.1 Presentation of Data**

The data collected from the procedure as stated in chapter three were further taken for analysis and presentation. The analysis part consists of details of the respondents' profile with the analysis on the response of buyer towards stock-out situation at retail store.

The main purpose of this section is to test relationship between the dependent variable which is buyer response and independent variables which are situation variable (General Time Constraint, Shopping Trip, Specific Time Constraint), Store Variables (Store Loyalty, Perceived Store Price, Perceived Store Service), Product Variable (Brand Loyalty).

This section is further sub-divided into various sections. The first part deals with the respondents' profile and their demographic characteristics. It gives demographic information of the respondents such as gender, age, education, marital status, profession and income. The second part is descriptive analysis, which analyzes the collected data through frequency analysis and measures of central tendency. The third part analyzes the collected data through inferential analysis, which includes hypothesis testing. The fourth and the final part of this chapter deals with discussion and inferences by analyzing and interpreting the collected data on buyer responses towards preferred brand stock out situation at retail store.

#### **4.2 Respondents' Profile**

This section deals with the demographic analysis and interpretation of primary data collected through questionnaires. This section gives an insight into the demographic

characteristics of the respondents under study. The respondent profile includes gender, age, education, marital status, profession and income of the respondents.

For this survey, 135 respondents were selected for this study and the questionnaires were distributed to them through personal visit, online and through email. Out of the 135 questionnaires, only 110 valid responses were collected. With the objective of the present study being to examine the buyer response towards stock out situation, the populations for the study were from different places in Kathmandu valley.

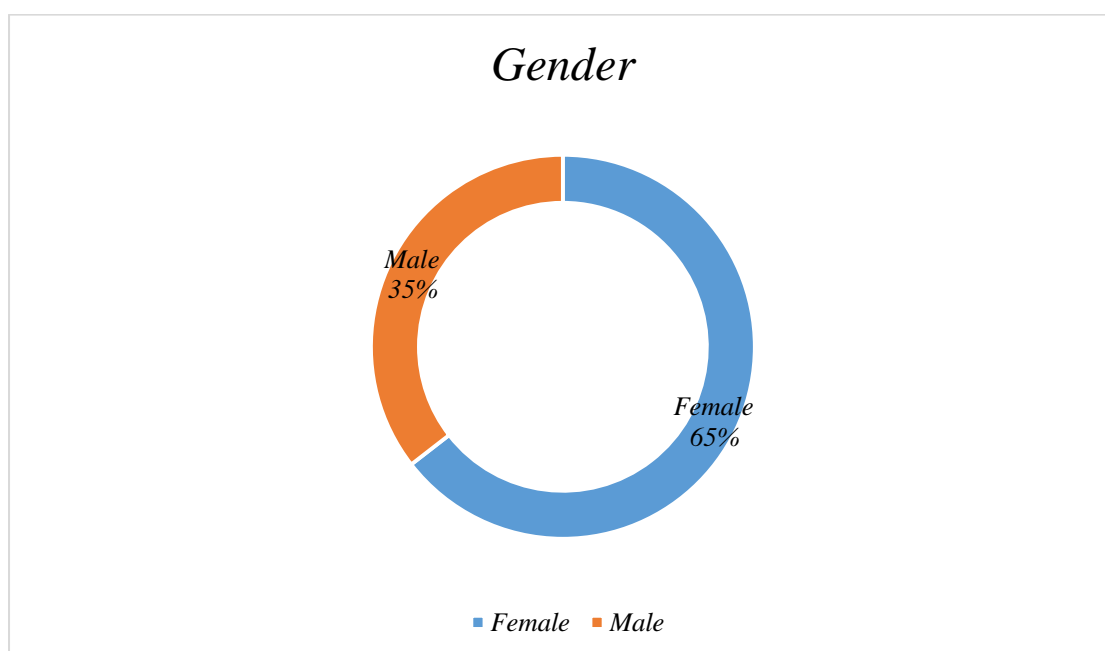
#### 4.2.1 Gender of Respondents

The questionnaire was distributed to both male and female respondents. The aim was to determine the percentage of distribution of respondents by gender. The frequency and percentage of the respondents is presented in Table 4.1 and Figure 4.1 which is as follows:

*Table 4.1 Distribution of Respondents based on Gender*

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Female	71	64.5
Male	39	35.5
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.1 Distribution of Respondents based on Gender*

From the above Table 4.1 and Figure 4.1, it shows the gender distribution of the respondents. It can be seen that out of total respondents, 71 were female and remaining 39 were male respondents. So, male comprised of 35.5 percent and female comprised of 64.5 percent of the total sampled respondents. All in all, this graphic presentation shows that the majority of respondents were female, although this study has ensured equal equivalent participation from both male and female respondents.

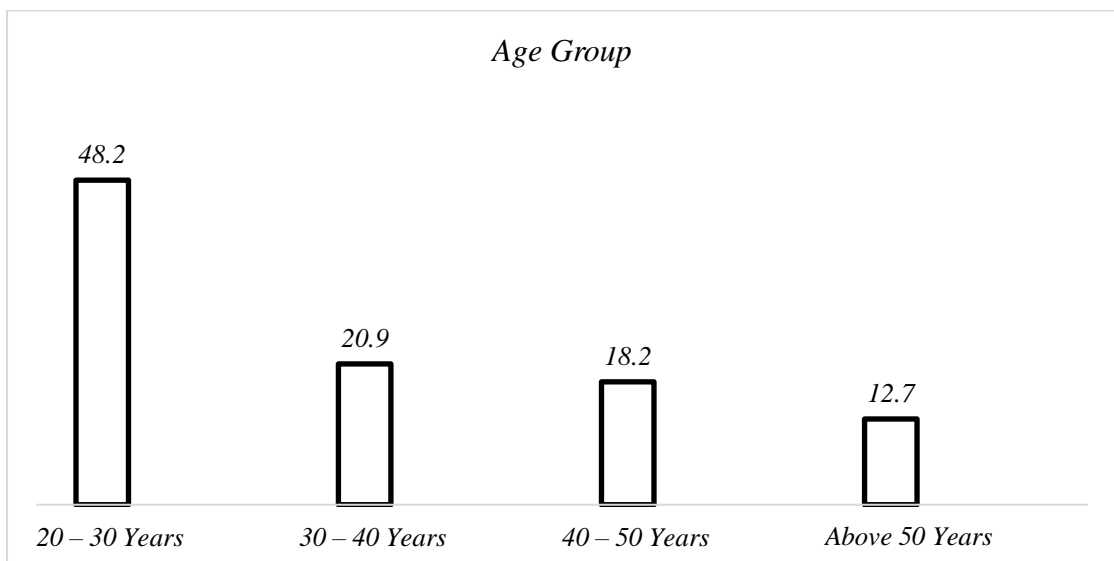
#### 4.2.2 Age Group of Respondents

The questionnaire was distributed to respondents of different age groups. The tabulations of age group were generated to explore the age distribution of the respondents. This was to determine the percentage distribution of the age group of people who responded to the given questionnaire, as shown in the Table 4.2 and Figure 4.2 which is as follows:

*Table 4.2 Distribution of Respondents based on Age*

Age	Frequency	Percent
20 – 30 Years	53	48.2
31– 40 Years	23	20.9
41 – 50 Years	20	18.2
Above 50 Years	14	12.7
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.2 Distribution of Respondents based on Age*

From the above Table 4.2 and Figure 4.2, it shows the age distribution of the respondents, where majority of the respondents fall under the age group of 20-30. From the above figure and table, it is seen that that 53 respondent fall under 20-30 years, 23 respondent falls under the 30-40 years, 20 respondent falls under 40-50 years and 14 respondents fall under above 50 years of age group.

Out of total respondent, 48.2 percent represent the 20-30 years of age whereas, 20.9 percent, 18.2 percent, 12.7 percent represent the age group that fall under 30-40 years, 40-50 years and above 50 years of age group respectively.

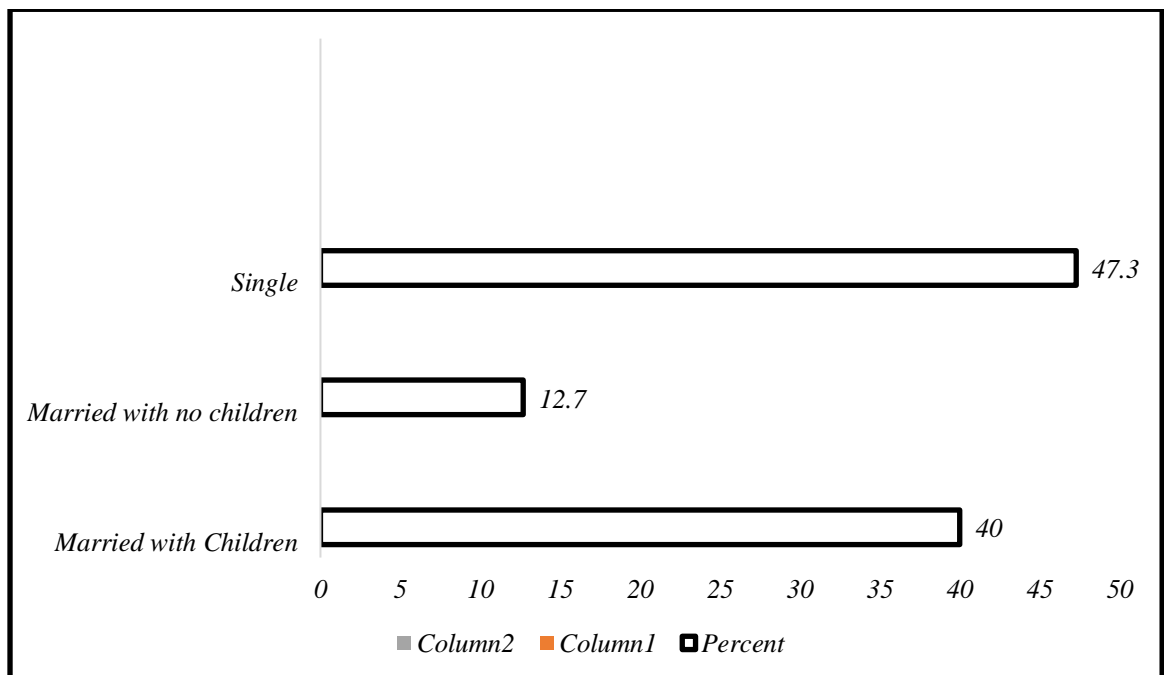
#### 4.2.3 Marital Status of Respondents

The questionnaire was distributed to respondents of different marital status. The marital status of respondents is shown in Table 4.3 and Figure 4.3 which is as follows:

*Table 4.3 Distribution of Respondents based on Marital Status*

<b>Marital Status</b>	<b>Frequency</b>	<b>Percent</b>
Married with Children	44	40.0
Married with no children	14	12.7
Single	52	47.3
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.3 Distribution of Respondents based on Marital Status*

The above Table 4.3 and Figure 4.3 represent the marital status of the respondents. The Marital status was divided into four parts: Single, Married with no children, Married with children and other. Out of all, none responded others. It is shown that, out of 110 respondent, 52 were single i.e. 47.3 percent of respondent were single, 44 were married with children i.e. 40 percent of respondent were married with children and remaining 14 were married with no children i.e. 12.7 percent of respondent were married with no children. So, the result shows that the majority of respondent were single.

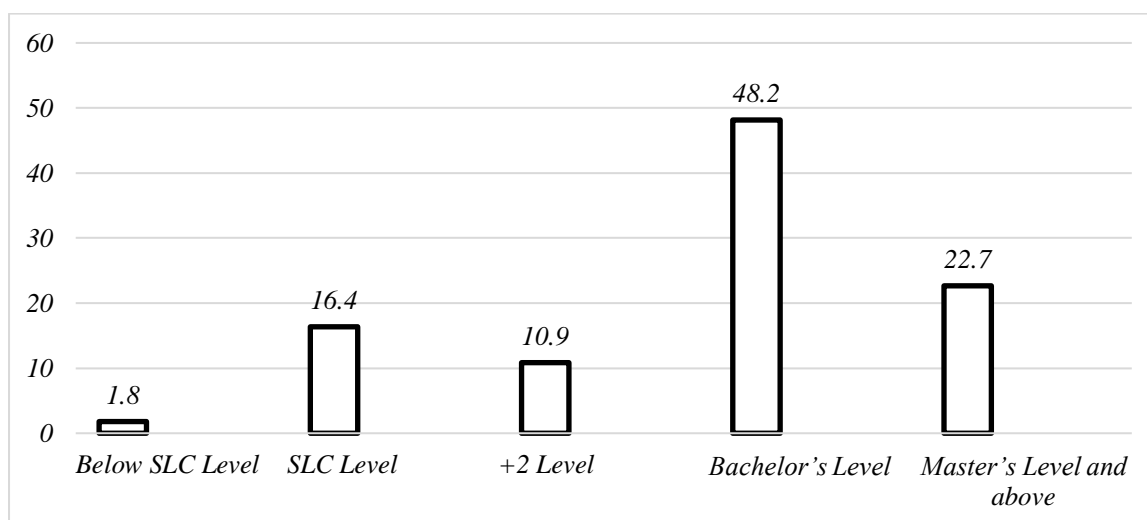
#### 4.2.4 Educational Qualification of Respondents

The questionnaire was distributed to respondents having different levels of academic qualification. The educational qualification of respondents is shown in Table 4.3 and Figure 4.3 which is as follows:

*Table 4.4 Distribution of Respondents based on Educational Qualification*

<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
Below SLC Level	2	1.8
SLC Level	18	16.4
+2 Level	12	10.9
Bachelor's Level	53	48.2
Master's Level and above	25	22.7
<b>Total</b>	<b>110</b>	<b>100</b>

*Note: Researcher's Survey, 2019*



*Figure 4.4 Distribution of Respondents based on Educational Qualification*

From the above Table 4.4 and Figure 4.4, it shows the educational qualification of the respondents. The education qualification was divided into five categories: Below SLC, SLC Level, +2 Level, Bachelor’s Level and Master’s Level and above. It shows that 2 respondent i.e. 1.8 percent of the respondent were in the below SLC level, 18 respondent i.e. 16.4 percent were In the SLC level, 12 respondent i.e. 10.9 percent were in +2 level, 53 respondent i.e. 48.2 percent were in Bachelor’s level, 25 respondents i.e. 22.7 percent of the respondent were in Master’s level and above. So, this result shows the majority of respondents hold a bachelor’s degree.

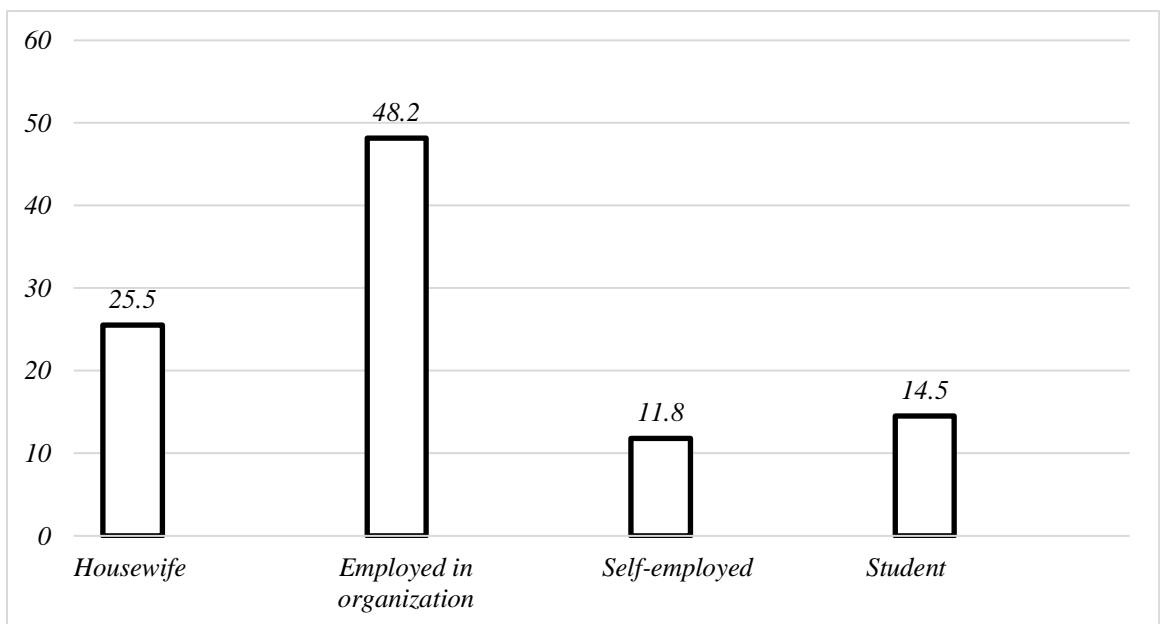
#### 4.1.5 Occupational Status of Respondents

The questionnaire was distributed to respondents belonging to different occupational status. The distribution of respondents based on their occupational status is shown in Table 4.5 and Figure 4.5 which is as follows:

*Table 4.5 Distribution of Respondents based on Occupational Status*

<b>Profession</b>	<b>Frequency</b>	<b>Percentage</b>
Housewife	28	25.5
Employed in organization	53	48.2
Self-employed	13	11.8
Student	16	14.5
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher’s Survey, 2019*



*Figure 4.5 Distribution of Respondents based on Occupational Status*

The above Table 4.5 and Figure 4.5 represent the distribution of respondents based on occupational status. The occupational status of respondents was divided into four categories: Housewife, Employed in an organization, Self-employed and Students. It shows that majority of the respondents were employed in organization i.e. 48.2 percent of respondents. 25.5 percent were housewife, 11.8 percent were self-employed and lastly, 14.5 percent of respondents belonged to Students who are not involved in any kind of profession.

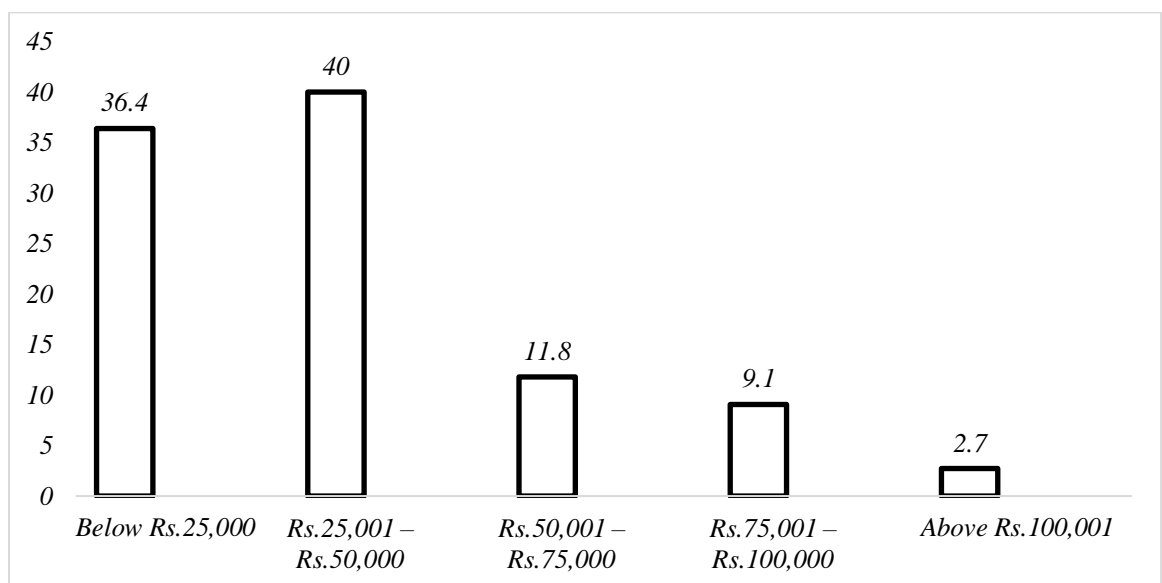
#### 4.2.6 Income per Month (Household Income) of Respondents

The questionnaire was distributed to respondents earning a range of income per month. The distribution of respondents based on their income is shown in Table 4.6 and Figure 4.6.

*Table 4.6 Distribution of Respondents earning a range of income per month*

<b>Income Per Month</b>	<b>Frequency</b>	<b>Percentage</b>
Below Rs.25,000	40	36.4
Rs.25,001 – Rs.50,000	44	40.0
Rs.50,001 – Rs.75,000	13	11.8
Rs.75,001 – Rs.100,000	10	9.1
Above Rs.100,001	3	2.7
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.6 Distribution of Respondents earning a range of income per month*



The above Table 4.6 and Figure 4.6 represent the distribution of respondents earning a range of income per month. Here the income for housewife has been recorded based on the earning of their husband, children or based on house rent. The income range of the respondents has been ranged from below Rs. 25,000 to above Rs. 100,000. From the above graphic presentation, it can be seen that, 36.4 percent of respondent earn less than Rs. 25,000 per month whereas, respondent who earns Rs. 25,001- Rs. 50,000 is 40 percent. Likewise, respondent who's earning lies in the range between Rs. 50,001- Rs. 75,000 is 11.8 percent, range between Rs. 75,001- Rs. 100,000 is 9.1 percent and above Rs. 100,000 is 2.7 percent. So, this result shows the majority of respondents earns between Rs. 25,000- Rs. 50,000.

### 4.3 Respondents' Response

This section deals with the behavioral analysis and interpretation of primary data collected through questionnaires. This section gives an insight into the how buyer responds towards stock out situation at retail store and also response to other variables. The respondents' response includes general responses, general time constraints, shopping trip, specific time constraints, store loyalty, perceived store price, perceived store service, brand loyalty.

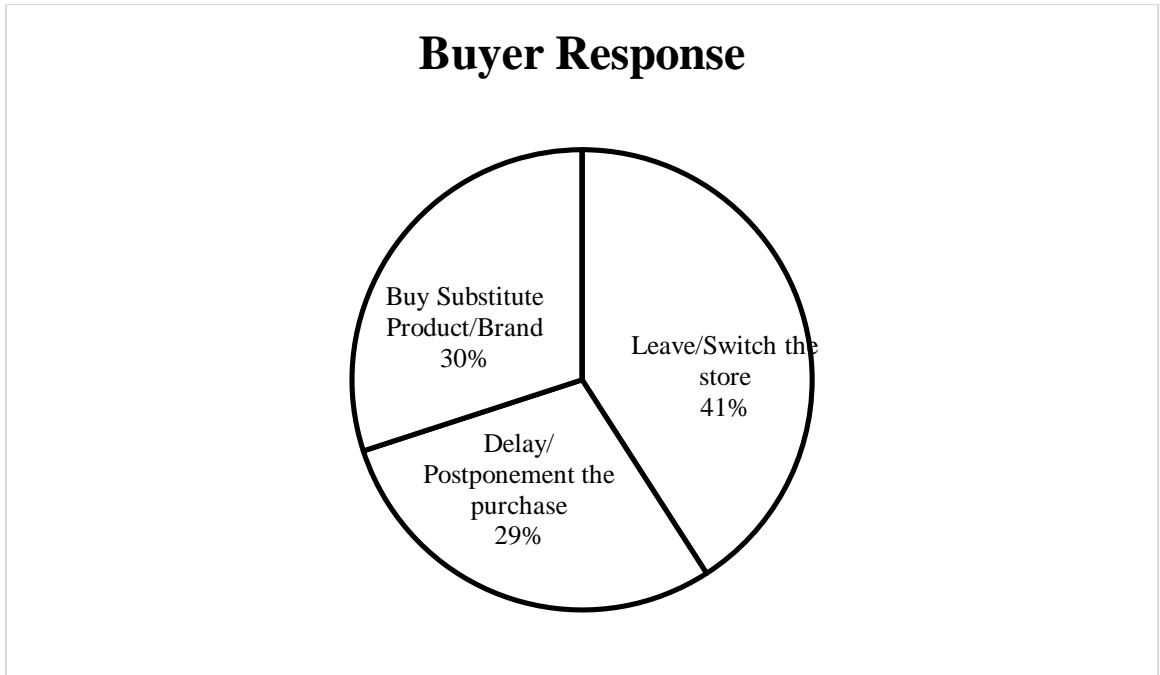
#### 4.3.1 General Responses

The questionnaire was distributed to respondents to know how they respond toward stocks out situation at retail store. The distribution of respondents based on their responses is shown in Table 4.7 and Figure 4.7.

*Table 4.7 Buyer Response to Stock-out Situation*

<b>Buyer Response</b>	<b>Frequency</b>	<b>Percentage</b>
Leave/Switch the store	45	40.9
Delay/ Postponement the purchase	32	29.1
Buy Substitute Product/Brand	33	30
<b>Total</b>	<b>110</b>	<b>100</b>

*Note: Researcher's Survey, 2019*



*Figure 4.7 Buyer Response to Stock-out Situation*

The above Table 4.7 and Figure 4.7 represent the percentage of buyer responses towards stock-out situation at retail store. The response was divided into three categories: Buy substitute product/ brand, Leave/Switch the store, Delay/Postponement the purchase. The above response percentage is obtained through closed question – “If you don’t find your specified Brand from your buying place what you will do? The results show that 30 percent of the respondents favored substitution i.e. they prefer to buy/substitute product or brand when they face stock out situation. Similarly, 41 percent would leave the store and remaining 29 percent would delay the purchase when encountered with stock out situation at retail store.

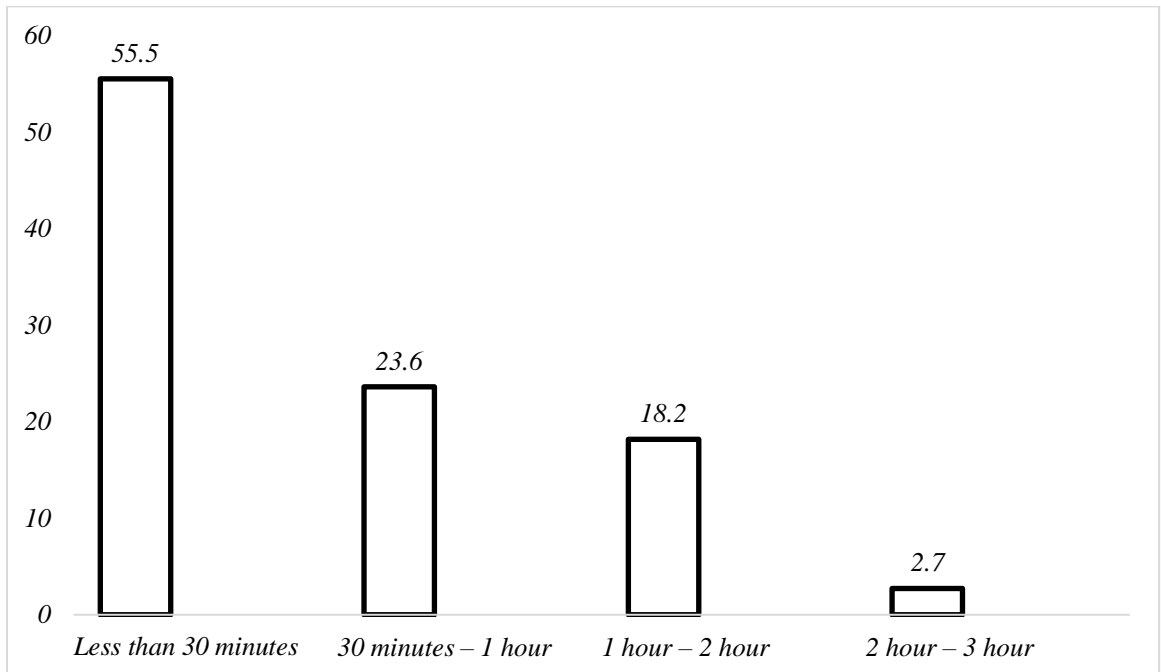
#### **4.3.2 General Time Constraint**

The questionnaire was distributed to respondents to know how much time they generally spend on buying regular household requirements. The following Table 4.8 and Figure 4.8 show the number of respondents on how much time they generally spend on buying household requirement.

*Table 4.8 General Time Spend on Buying Regular Household Requirement*

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 30 minutes	61	55.5
30 minutes – 1 hour	26	23.6
1 hour – 2 hours	20	18.2
2 hours – 3 hours	3	2.7
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher’s Survey, 2019*



*Figure 4.8 General Time Spend on Buying Regular Household Requirement*

From the above Table 4.8 and Figure 4.8, it can be seen that maximum number of respondents normally spends less than 30 minutes to buy their household requirement. Out of 110 respondents, 61 people i.e. 55.5 percent of people spend time on buying household requirement. Similarly, 26 respondent i.e. 23.6 percent, 20 respondent i.e. 18.2 percent, 3 respondent i.e. 2.7 percent spends 30 minutes to 1 hours, 1 hour to 2 hours and 2 hours to 3 hours spends on buying their household requirement. However, none of them spends more than 3 hours’ time for buying their regular household items.

### 4.3.3 Shopping Trip

The questionnaire was distributed to respondents to know when they prefer to purchase their preferred brand (Toothpaste, Antibacterial Soap, and Shampoo). The following Table 4.9 and Figure 4.9 show the number of respondents on when they prefer to purchase their preferred brand.

Table 4.9 Shopping Trip

Shopping Trip	Frequency	Percentage
Twice a week	3	2.72
Weekly	16	14.55
Monthly	82	74.55
As required	9	8.18
<b>Total</b>	<b>110</b>	<b>100.0</b>

Note: Researcher's Survey, 2019

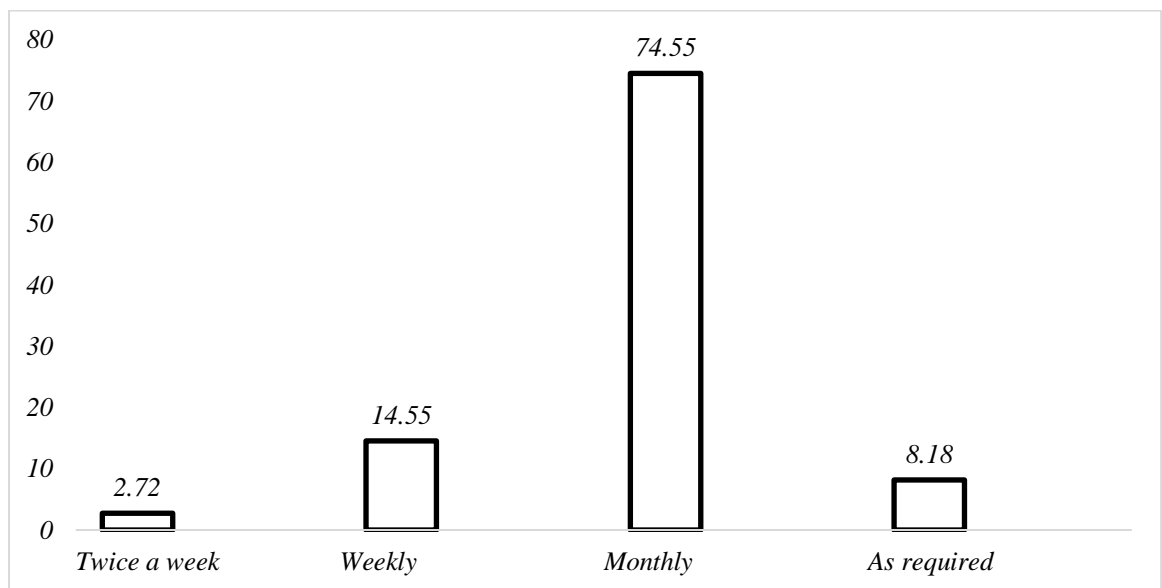


Figure 4.9 Shopping Trip

Table 4.9 and Figure 4.9 depict the shopping trip of the respondents. The shopping trip was divided into four categories: Twice a week, Weekly, Monthly and as required. The results clearly demonstrate that 82 respondent i.e. 74.55 percent normally shop the products monthly whereas, 3 respondent i.e. 2.72 percent of the respondents shops twice a week, 16 respondent i.e. 14.55 percent of the respondents shops weekly and 9 respondents i.e. 8.28 percent of the respondents shops whenever they require.

#### 4.3.4 Specific Time Constraint

There are two statements used to measure the specific time constraint variable. Each of the 110 respondents submitted their responses in the Likert scale which was converted to category to know the number of respondents who have strongly agreed, agreed, neutral, disagree and strongly disagreed the following statement. Statement 1 represents, “I find myself highly pressurized with time constraint than normal people.” Whereas statement 2 represents, “I wish I have more time to complete my regular stuff.”

*Table 4.10 Specific Time Constraint*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	
1	11 (10)	21 (19.1)	41 (37.3)	24 (21.8)	13 (11.8)	110 (100)	Frequency (Percentage)
2	12 (10.9)	9 (8.2)	42 (38.2)	27 (24.5)	20 (18.2)	110 (100)	Frequency (Percentage)

*Note: Researcher's Survey, 2019*

*Table 4.11 Descriptive Statistics of Specific Time Constraints*

Code	Statement	Mean	Std. Deviation
6a	I find myself highly pressurized with time constraint than normal people.	3.06	1.136
6b	I wish I have more time to complete my regular stuff.	3.31	1.187

*Note: Researcher's Survey, 2019*

From the above Table 4.10, it can be seen that, out of 110 respondents, 10 percent had strongly disagreed the statement 1. Likewise, 19.1 percent disagreed, 37.3 had a neutral opinion, 21.8 had agreed and 11.8 had a strongly agreed opinion for statement 1. Similarly, 10.9 percent had strongly disagreed, 8.2 percent had disagreed opinion, 38.2 had a neutral opinion, 24.5 had an agreed and 18.2 had a strongly agreed opinion for statement 2. The results in Table 4.11, among the two statements, the statement

with code “6b” has scored the highest mean, whereas the statement “6a” has scored a lowest mean. The highest mean value is 3.31 which indicate that it is the most agreed statement, stating that the respondents wish that they have more time to complete their regular stuffs.

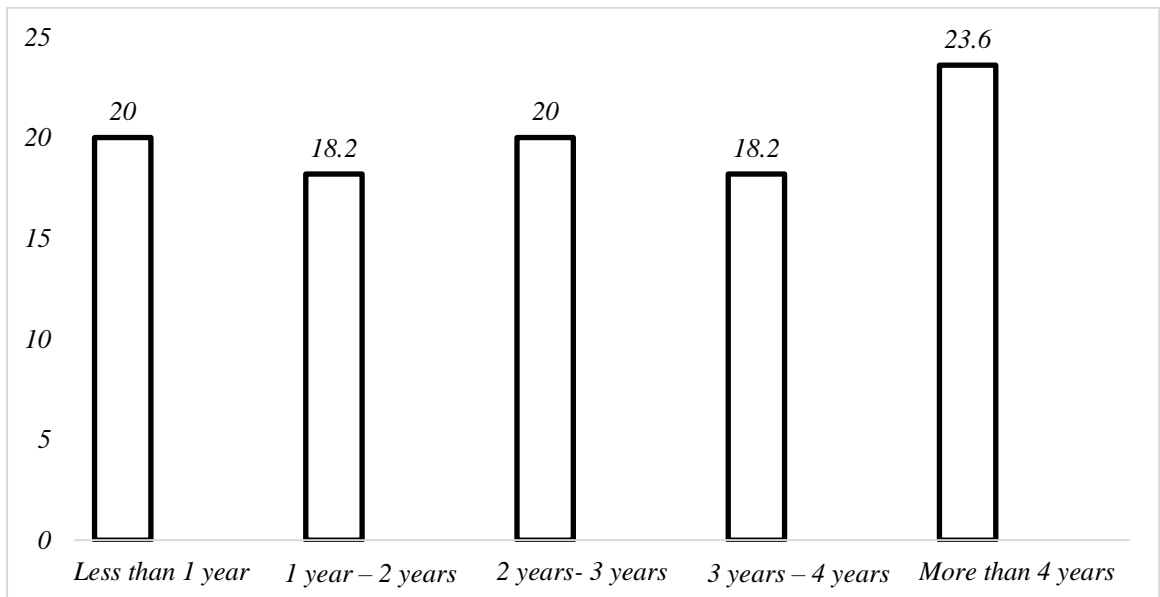
#### 4.3.5 Store Loyalty

The questionnaire was distributed to respondents to know how long the respondents have been purchasing the products from specific store. The following Table 4.12 and Figure 4.10 show the number of respondents on how long they have been purchasing the products from specific store.

*Table 4.12 Store Loyalty*

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	22	20.0
1 year – 2 years	20	18.2
2 years- 3 years	22	20.0
3 years – 4 years	20	18.2
More than 4 years	26	23.6
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher’s Survey, 2019*



*Figure 4.10 Store Loyalty*

Table 4.12 and Figure 4.10 depict the store loyalty of the respondents. The results clearly show that out of 110 respondent, 26 respondent i.e. 23.6 percent of the respondent have been shopping from specific store for more than 4 years. Similarly, 22 respondent i.e. 20 percent of the respondent has been shopping from specific store for less than 1 year and 2 years – 3 years respectively. 20 respondents i.e. 18.2 percent of the respondent have been shopping for 1 year – 2 years and 3 years – 4 years respectively.

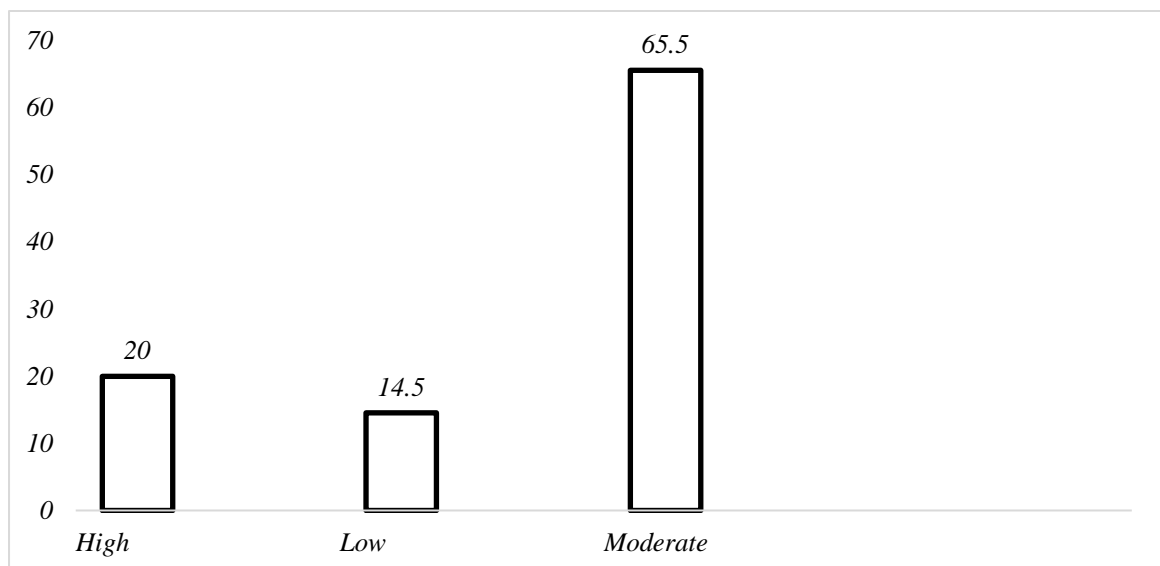
#### 4.3.6 Perceived Store Price

The questionnaire was distributed to respondents to know the perception of the respondent on the store price charged by the retail store as compared to other store. The following Table 4.13 and Figure 4.11 shows the number of respondents on their perception towards the price charged by the store as compared to other stores.

*Table 4.13 Perceived Store Price*

<b>Prices</b>	<b>Frequency</b>	<b>Percentage</b>
High	22	20.0
Low	16	14.5
Moderate	72	65.5
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.11 Perceived Store Price*

Figure 4.13 and Table 4.11 show the perceived store price of the respondents, where majority of the respondents didn't find any changes in price that have been charged by the existing and other store. 72 respondents i.e. 65.5 percent of respondents perceives that the price charged by the existing and other store is similar. 22 respondents i.e. 20 percent of the respondents perceived that the price charged by the existing store is high as compared to other store and remaining 16 respondents i.e. 14.5 percent of the respondents perceived that the existing store has been charging low price as compared to the other store.

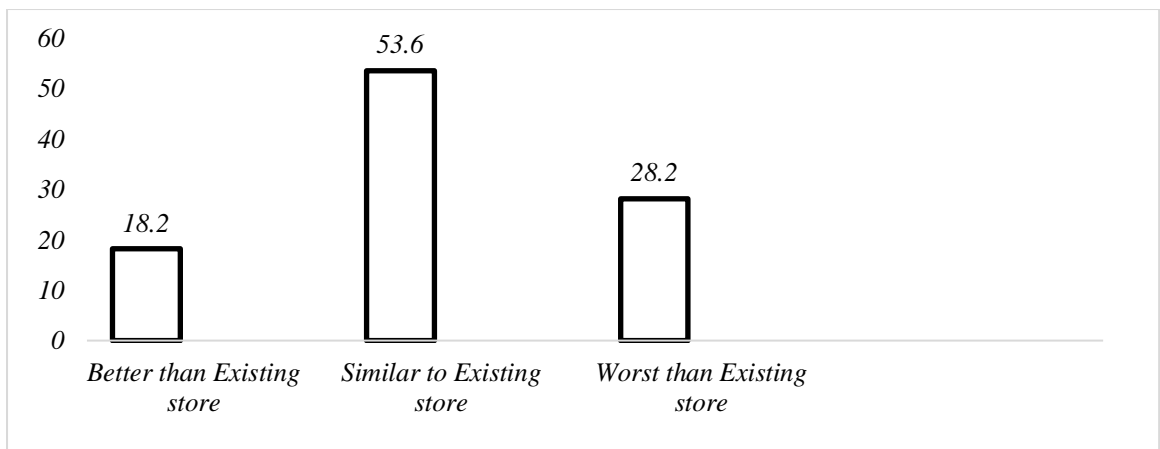
#### 4.3.7 Perceived Store Service

The questionnaire was distributed to respondents to know the perception of the respondent on the store service provided by the retail store as compared to other store. The following Table 4.14 and Figure 4.12 show the number of respondents on their perception towards the service provided by the store as compared to other stores under OOS situation.

*Table 4.14 Perceived Store Service*

<b>Store Service</b>	<b>Frequency</b>	<b>Percentage</b>
Better than Existing store	20	18.2
Similar to Existing store	59	53.6
Worse than Existing store	31	28.2
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.12 Perceived Store Service*



Table 4.14 and Figure 4.12 depict the perceived store service of the respondents. 20 respondents i.e. 18.2 percent of respondents perceives that the service provided by the existing store is poor as compared to other store. 59 respondents i.e. 53.6 percent of the respondents perceived that the service provided by both existing store and other store are similar and remaining 31 respondents i.e. 28.2 percent of the respondents perceived that the existing store has been providing better service as compared to the other store.

#### 4.3.8 Brand Loyalty [For Toothpaste]

The questionnaire was distributed to respondents to know how long the respondents have been using the specific brand. At first, a list of various brands used by the respondents has been presented in the Table 4.15, and then the span of time representing the use of a specific brand by the respondents has been presented in the following Table 4.16 and Figure 4.13:

*Table 4.15 Brands used by Respondents [For Toothpaste]*

<b>Brand</b>	<b>Frequency</b>	<b>Percent</b>
Close up	3	2.7
Colgate	39	35.5
Dabur	22	20.0
Himalaya Sparkling White	1	0.9
Patanjali	13	11.8
Pepsodent	32	29.1
<b>Total</b>	<b>110</b>	<b>100.0</b>

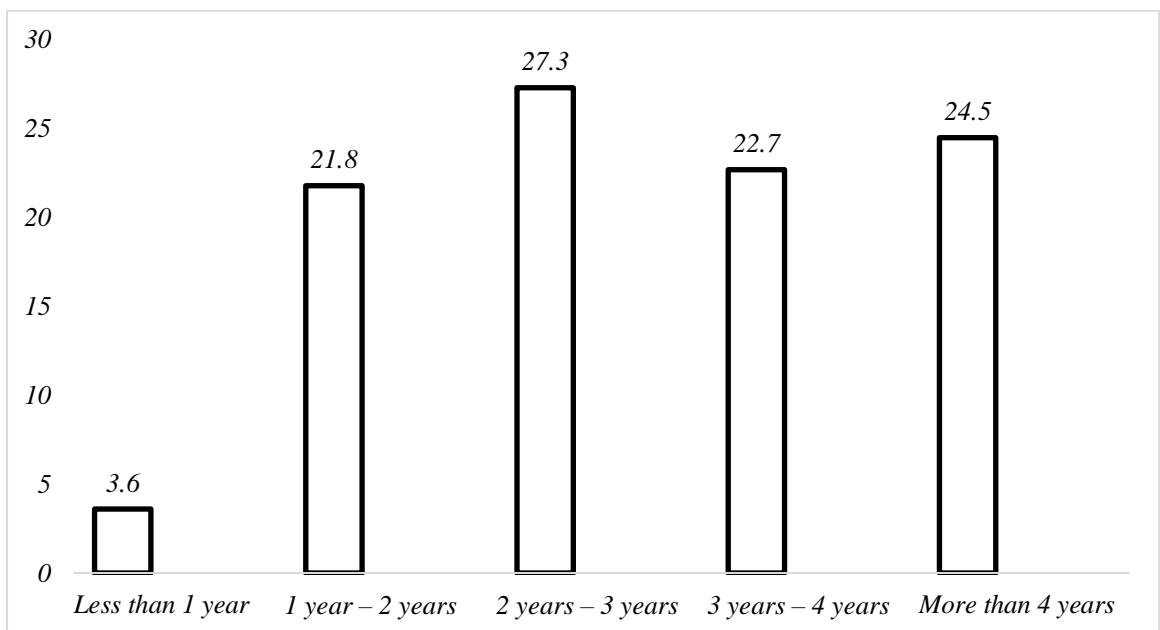
*Note: Researcher's Survey, 2019*

From the table above it can be concluded that, out of the total respondents, 35.5percent use Colgate, 29.1percent use Pepsodent, 20percent use Dabur, 11.8percent use Patanjali, 2.7percent use Close up and 0.9percent use Himalaya Sparkling White.

*Table 4.16 Brand Loyalty [For Toothpaste]*

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	4	3.63
1 year – 2 years	24	21.82
2 years – 3 years	30	27.27
3 years – 4 years	25	22.73
More than 4 years	27	24.55
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.13 Brand Loyalty [For Toothpaste]*

Table 4.16 and Figure 4.13 depict the brand loyalty of the respondents for Toothpaste. 4 respondents which make 3.63 percent of the total respondents have been using the same brand of toothpaste for less than 1 years. Similarly, 24 respondents which makes 3.63 percent, 30 respondents which makes 27.27 percent, 25 respondents which makes 22.73 percent, 27 respondents which makes 24.55 percent of the total respondents have been using the same brand of toothpaste for 1 year – 2 years, 2 years – 3 years, 3 years – 4 years and more than 4 years respectively.

#### 4.3.9 Brand Loyalty [For Antibacterial Soap]

The questionnaire was distributed to respondents to know how long the respondents have been using the specific brand. At first, a list of various brands used by the respondents has been presented in the Table 4.17, and then the span of time representing the use of a specific brand by the respondents has been presented in the following Table 4.18 and Figure 4.14:

*Table 4.17 Brands used by Respondents [For Antibacterial Soap]*

<b>Brand</b>	<b>Frequency</b>	<b>Percent</b>
Dettol	54	49.1
Dove	1	0.9
Imperial Leather	1	0.9
Lifebuoy	28	25.5
Lux	1	0.9
Patanjali	1	0.9
Pears	2	1.8
Savlon	10	9.1
Softsoap	12	10.9
<b>Total</b>	<b>110</b>	<b>100.0</b>

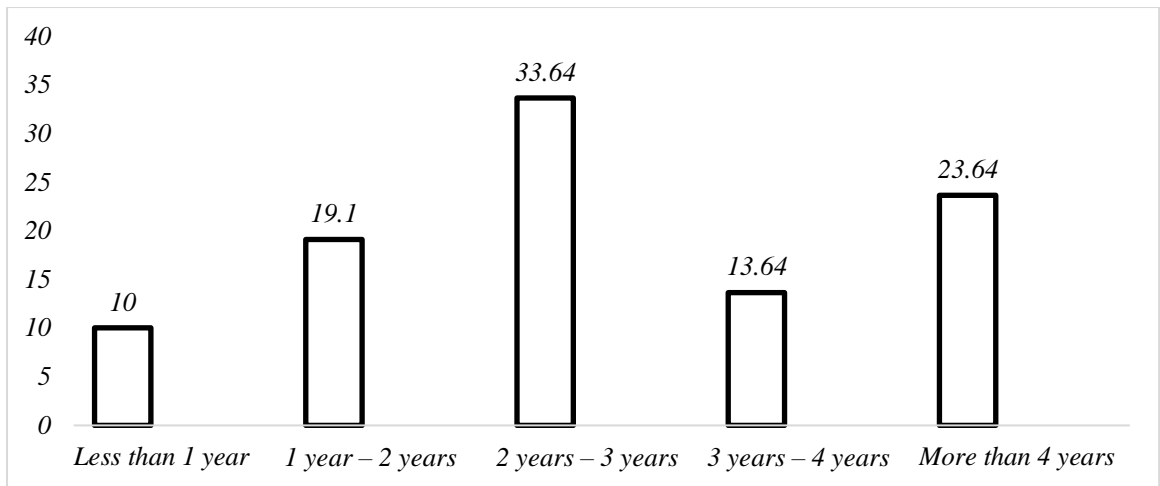
*Note: Researcher's Survey, 2019*

In case of Antibacterial Soap, 49.1 percent of the total respondents use Dettol, 25.5 percent use Lifebuoy, 10.9 percent use Soft soap, 9.1 percent use Savlon, 1.8 percent use Pears and 0.9 percent use Dove, Imperial Leather, Lux and Patanjali each.

*Table 4.18 Brand Loyalty [For Antibacterial Soap]*

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	11	10.0
1 year – 2 years	21	19.1
2 years – 3 years	37	33.64
3 years – 4 years	15	13.64
More than 4 years	26	23.64
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.14 Brand Loyalty [For Antibacterial Soap]*

Table 4.18 and Figure 4.14 depict the brand loyalty of the respondents for Antibacterial Soap. 11 respondents which make 10 percent of the total respondents have been using the same brand of antibacterial soap for less than 1 years. Similarly, 21 respondents which makes 19.1 percent, 37 respondents which makes 33.64 percent, 15 respondents which makes 13.64 percent, 26 respondents which makes 23.64 percent of the total respondents have been using the same brand of antibacterial soap for 1 year – 2 years, 2 years – 3 years, 3 years – 4 years and more than 4 years respectively.

#### **4.2.10 Brand Loyalty [For Shampoo]**

The questionnaire was distributed to respondents to know how long the respondents have been using the specific brand. At first, a list of various brands used by the respondents has been presented in the Table 4.19, and then the span of time representing the use of a specific brand by the respondents has been presented in the following Table 4.20 and Figure 4.15:

*Table 4.19 Brands used by Respondents [For Shampoo]*

<b>Brand</b>	<b>Frequency</b>	<b>Percent</b>
Clear	4	3.6
Clinic Plus	2	1.8
Dove	21	19.1
Garnier	3	2.7
Head & Shoulders	38	34.5

Pantene	14	12.7
Patanjali	2	1.8
Sunsilk	25	22.7
Tresemme	1	0.9
<b>Total</b>	<b>110</b>	<b>100.0</b>

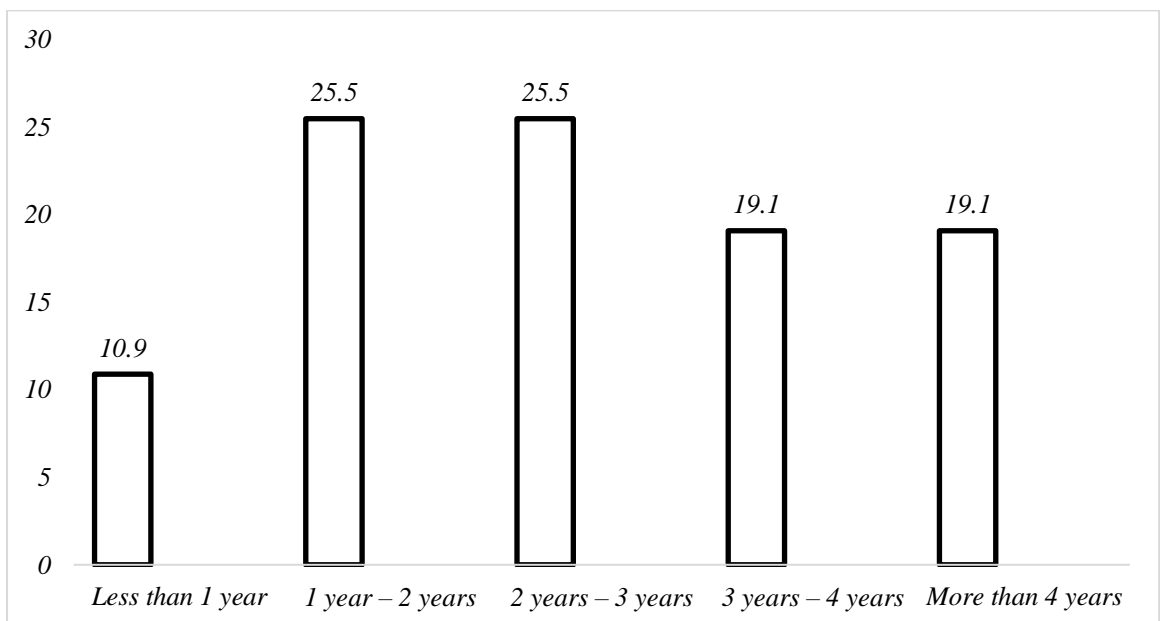
*Note: Researcher's Survey, 2019*

For the shampoo, 34.5percent of the total respondents use Head & Shoulders, 22.7percent use Sunsilk, 19.1percent use Dove, 12.7percent use Pantene, 3.6percent use Clear, 2.7percent use Garnier, 1.8percent use Clinic Plus, the other 1.8percent use Patanjali and the remaining 0.9percent use Tresemme.

*Table 4.20 Brand Loyalty [For Shampoo]*

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	12	10.9
1 year – 2 years	28	25.5
2 years – 3 years	28	25.5
3 years – 4 years	21	19.1
More than 4 years	21	19.1
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.15 Brand Loyalty [For Shampoo]*

Table 4.20 and Figure 4.15 depict the brand loyalty of the respondents for Shampoo. 12 respondents which make 10.9 percent of the total respondents have been using the same brand of shampoo for less than 1 year. Similarly, 28 respondents which makes 25.5 percent, 28 respondents which makes 25.5 percent, 21 respondents which makes 19.1 percent, 21 respondents which makes 19.1 percent of the total respondents have been using the same brand of shampoo for 1 year – 2 years, 2 years – 3 years, 3 years – 4 years and more than 4 years respectively.

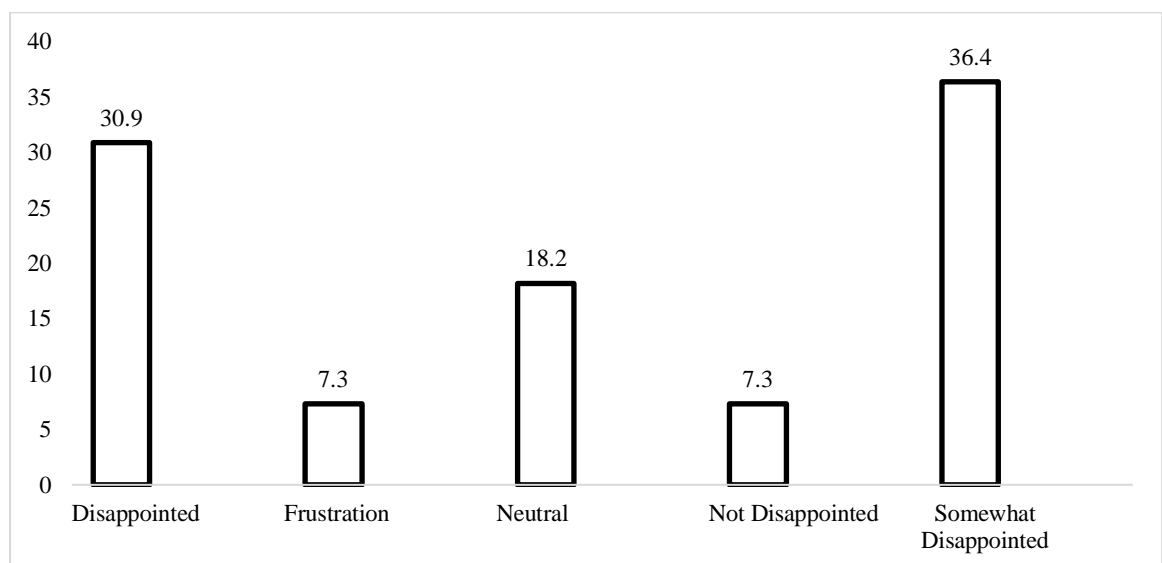
#### 4.2.11 Psychographic reactions

The questionnaire was distributed to respondents to know their psychosomatic reaction when they face a stock out situation at the retail store. The distribution of respondents' psychosomatic reaction is shown in Table 4.21 and Figure 4.16

*Table 4.21 Psychographic reactions*

<b>Reaction</b>	<b>Frequency</b>	<b>Percent</b>
Disappointed	34	30.9
Frustration	8	7.3
Neutral	20	18.2
Not Disappointed	8	7.3
Somewhat Disappointed	40	36.4
<b>Total</b>	<b>110</b>	<b>100.0</b>

*Note: Researcher's Survey, 2019*



*Figure 4.16 Psychographic reactions*

The above data presented in Table 4.21 and Figure 4.16 shows the psychosomatic reactions of the respondents. When buyer faced the stock out situation at retail store, 34 respondents i.e. 30.9 percent of the respondents were disappointed, 8 respondents i.e. 7.3 percent of the respondents were frustrated, 20 respondents i.e. 18.2 percent of the respondents didn't felt any psychosomatic reaction, 8 respondents i.e. 7.3 percent of the respondents were not disappointed and 40 respondents i.e. 36.4 percent of respondents felt somewhat disappointed.

#### **4.4 Major Findings**

The findings of this study revealed that there were (39 percent) Males and (71 percent) Females, Majority of the respondents fall under the age group of 20-30. The marital status was divided into four groups: Single, Married with no children, Married with children and other and the result shows that the majority of respondent were single. The education qualification was divided into five categories: Below SLC, SLC Level, +2 Level, Bachelor's Level and Master's Level and above, the result shows the majority of respondents hold a bachelor's degree. The occupational status of respondents was divided into four categories: Housewife, Employed in an organization, Self-employed and Students, it is found that majority of the respondents were employed in organization. The income ranges of the respondents have been ranged from below Rs. 25,000 to above Rs. 100,000. And the majority of respondents earn between Rs. 25,000- Rs. 50,000.

The findings from this research document the buyer response towards preferred brand stock-out situation at retail store, as documented in the literature. The descriptive statistics study was conducted and the final result was presented. The results obtained from the descriptive statistics for the dependent variables and independent variables are summarized below:

- Buyers who encounter with stock-out situation, they tend to leave/switch the store i.e. 40.9 percent of the respondent has responded that they will leave/switch the store to purchase the item over other response i.e. Delay/postponement the purchase and buy substitute product/brand.
- Talking about general time constraint, buyer who generally shops for less than 30 minutes and 30 minutes–1 hour are more likely to buy substitute product/brand. Buyer who shops for 1 hour – 2 hour and 2 hours – 3 hours are more likely to delay/postponement the purchase.

- Talking about shopping trip, buyer who shops twice a week and monthly are more likely to leave/switch the store. Buyer who shops weekly and as per their requirement for the product are more likely to delay/postponement the purchase.
- Talking about the specific time constraint, the overall mean of specific time constraint is 3.31 which shows that respondents have agreed that they wish they have more time to complete their regular stuff.
- Talking about store loyalty, buyer who had shopped from specific store for less than 1 year is more likely to buy substitute product/brand. Buyer who had shopped from specific store for 1 year – 2 years and 2 years – 3 years are more likely to leave/switch the store. Buyer who shopped from specific store for 3 years – 4 years are more likely to delay/postponement the purchase and for more than 4 years, they are more likely to leave/switch the store and delay/postponement the purchase.
- Talking about perceived store price, buyer who had perceived that the price charged by the retail store is high as compared to existing store are more likely to delay/postponement the purchase. However, buyer who had perceived that the price charged by the retail store is moderate as well as low as compared to existing store are more likely to leave/switch the store.
- Talking about perceived store service, buyer who had perceived that the service provided by the retail store is better as compared to existing store are more likely to leave/switch the store and delay/postponement the purchase, those who perceived similar to existing store are more likely to leave/postponement the purchase and who perceived worse than existing store are more likely to delay/postponement the purchase.
- Talking about brand loyalty, in case of toothpaste, buyer who has been using the specific brand for 3 years – 4 years are more likely to delay/postponement the purchase. In case of antibacterial soap, buyers who have been using the specific brand for less than 1 year are more likely to buy substitute product/brand. In case of shampoo, buyer who has used the specific brand for 3 years – 4 years are more likely to delay/postponement the purchase.



## **CHAPTER 5**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter summarizes the research process and result of the study. The entire chapter is summarized in three sections. The first one summarizes the study and general overview about research findings. The second section derives the conclusion of the study and the third one suggests few recommendations.

#### **5.1 Summary**

The primary purpose of this study is to determine the buyer response towards preferred brand stock-out situation at retail store. In order to achieve the objectives, structured questionnaire was used to measure the response of respondent during stock-out situation with respect to undertaken independent variables.

Based on the literature review, six major dimensions was determined. The independent variables undertaken are Situational Variables i.e. General time constraint, Shopping trip, Specific time constraint, Store variables i.e. Store loyalty, Perceived store price, Perceived store service and product variable i.e. Brand loyalty. This study consisted of 110 participants belonging to different background. The hypotheses were then developed from the study of the literature. A theoretical model was then developed taking into account the prescribed variables.

For the purpose of conducting the study, close-ended (Multiple choice) questionnaire was used. The questionnaire was prepared based on the articles that were practically used in other countries. A survey was carried out using convenience sampling and the sample obtained included the respondents with different gender, age, marital status, education, professional status and income level within Kathmandu Valley. The number of respondents surveyed was 135, among which the response rate was 81.48 percent i.e. 110 out of 135 responded to the survey questionnaire.

In order to determine the survey result, statistical tests have been performed. Because the questionnaire was totally based on closed-ended (multiple choice) question, frequency distribution and cross-tab statistical tools have been used to analyze the findings. Only one question have been used using Likert scale ranging from “Strongly

Disagree” to “Strongly Agree” and later it was changed into the category option to determine the frequency distribution and descriptive analysis was also done for that question to determine the average value.

The findings from this research document the buyer response towards preferred brand stock-out situation at retail store, as documented in the literature. The descriptive statistics study was conducted and the final result was presented.

## **5.2 Conclusions**

While stock-out (SO) reactions have been studied from different perspectives in previous literature, the purpose of the thesis in hand was to examine the yet under-researched topic on buyer reactions towards preferred brand stock-out situation at retail store. Most of the researches conducted by different authors on stock-out situations are findings from different methodology. Most research relies on interviews, experiments and surveys. The main three stock-out reactions deduced from prior research were buy substitute product/brand, delay/postponement the purchase and leave/switch to another store. Based on the literature review, six major dimensions was determined. The independent variables undertaken are Situational Variables i.e. General time constraint, Shopping trip, Specific time constraint, Store variables i.e. Store loyalty, Perceived store price, Perceived store service and product variable i.e. Brand loyalty.

In this research, it is found that buyer when encounter an stock-out situation, they tend to leave/switch the store as compared to other stock-out reactions such as delay/postponement of the purchase and buy substitute product/brand. In the majority of cases, assortment unavailability, whether temporary or permanent, will lead to sales loss to both the retailer and manufacturer. The stock-out problem is costly for retailers because it negatively affects brand and retailer loyalty. Customers who experience frequent stock-out experiences abandon their purchase and go to other retailers temporarily or even permanently. Repeated stock-out experience also negatively affect customer loyalty and cause large numbers of them to switch retailers temporarily or permanently. The same negative impact can be imply on manufacturer as they might switch to other brand which might result in the loss of their loyal buyer. In case of buyer, they might not have financial loss but they will feel the psychosomatic reactions when they encounter stock-out situations.

The basic intention of this stock-out was to study the buyers' stock-out responses to their preferred brand. Different product such as liquor products, grocery products, small appliances, home decoration, furniture, jewelry and so has been used by different authors to understand their response when they encounter with stock-out at their buying place. This research helps the readers to determine how buyer will react to stock-out and based on that they can forecast how retailer and manufacturer will have a negative impact of it. However, the study does have certain methodological limitations. First of all, this study uses sample only from Kathmandu, thus results might not be generalizable. Results generated from such sampling might not be the true representative of the target population. All this raises a new agenda for future researches. Any researcher examining a similar topic in future has to investigate these parameters and should try to conduct a large scale survey to make the results more representative and generalizable. The findings of this research study will help business people to analyze the impact that will create when the buyer face stock-out at retail store. However, the results of this study might not be exhaustive and further research still needs to be done to validate the findings.

### **5.3 Recommendations**

Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature:

- The data collection for this study was conducted in a single location i.e. Kathmandu, which is the capital city of the country. This highlights the necessity to extend this research to a larger and geographically more diversified sample of buyers.
- The data collection for this study was conducted in an unorganized retail store i.e. Kirana Pasal/Family Store or Mom and Pop store. The result may vary if this research is conducted in an organized store. The result of this research is typically based on both the market research and the questionnaires sent via online.
- For the purpose of the study, only few independent variables have been used. There are plenty of variables that can be taken into consideration based on the study design. Here, the questionnaire was presented in a close-ended (multiple

choice) questionnaire which was taken from a reliable source because this research was based on a survey design.

Buyer might respond differently based on the types of products. For this research, toothpaste, antibacterial soap and shampoo have been used. The shape and size of the product was not taken into consideration. The questionnaire was asked how they would respond if they encounter the stock-out situation of their preferred brand. Similarly, different researchers have used different product categories to study the buyer response such as: liquor products, grocery products, small appliances, home decoration, furniture, jewelry and so have been used.

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## ANNEXURE

### Questionnaire

## BUYER RESPONSE TOWARDS THE OUT-OF-STOCK SITUATION OF THE PREFERRED BRAND PRODUCTS AT RETAIL STORES

### Demographic Questions

**Gender:**

Male  Female

**Age:**

20 – 30 Years  31 – 40 Years  41 – 50 Years  Above 50 Years

**Marital Status:**

Single  Married with no children  Married with Children

**Educational Qualification:**

Below SLC Level  SLC Level  +2 Level  Bachelor's Level  
 Master's Level and above

**Occupational Status:**

Housewife  Employed in organization  Self-employed  Student

**Income per month (Household Income)**

Below Rs. 25,000  Rs.25,001 – Rs. 50,000  50,001 – Rs. 75,000  
 Rs. 75,001 – Rs. 100,000  Above Rs. 100,001

**1. Can you tick the name of the brand for following product which you normally use on daily basis? (Please Tick Only One Brand Name and mention if other).**

**For Toothpaste**

Colgate  
 Dabur  
 Pepsodent  
 Patanjali  
 Other.....

**For Antibacterial Soap**

Dettol  
 Softsoap  
 Lifebuoy  
 Savlon  
 Other.....

**For Shampoo**

Dove  
 Head & Shoulder  
 Sunsilk  
 Pantene  
 Other .....

**Variable Question**

**2. If you don't find your specified Brand (Toothpaste, Antibacterial Soap, and Shampoo) from your buying place what you will do?**

- Leave/Switch the store
- Delay/ Postponement the purchase
- Buy Substitute Product/Brand

**3. How much time do you generally spend on buying regular household requirement (Toothpaste, Antibacterial Soap, and Shampoo)?**

- Less than 30 minutes
- 30 minutes – 1 hour
- 1 hour – 2 hour
- 2 hour – 3 hour
- More than 3 hour

**4. Generally, when do you prefer to purchase (Toothpaste, Antibacterial Soap, and Shampoo)?**

- Twice a week
- Weekly
- Monthly
- Other (Please Specify) .....

**5. Since how long have you been purchasing (Toothpaste, Antibacterial Soap, and Shampoo) from specific store?**

- Less than 1 year
- 1 year – 2 years
- 2 years – 3 years
- 3 years – 4 years
- More than 4 years

6. Please read the statement below and Tick any one option that reflects your opinion on time constraints on purchasing your items (Toothpaste, Antibacterial Soap, and Shampoo).

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I find myself highly pressurized with time constraint than normal people.					
I wish I have more time to complete my regular stuff.					

7. How do you perceive store prices charged by the retail store where you normally buy (Toothpaste, Antibacterial Soap, and Shampoo) as compared to other stores?

Low                       Moderate                       High

8. What is your general perception regarding service of other stores if your existing store has stock out situation?

Better than Existing Store  
 Similar to Existing Store  
 Worse than Existing Store

9. Since how long have you been using your brand?

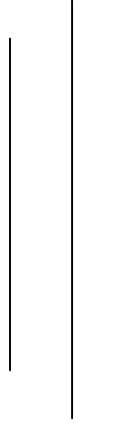
For Toothpaste,	For Antibacterial Soap	For Shampoo
<input type="checkbox"/> Less than 1 year	<input type="checkbox"/> Less than 1 year	<input type="checkbox"/> Less than 1 year
<input type="checkbox"/> 1 year – 2 years	<input type="checkbox"/> 1 year – 2 years	<input type="checkbox"/> 1 year – 2 years
<input type="checkbox"/> 2 years – 3 years	<input type="checkbox"/> 2 years – 3 years	<input type="checkbox"/> 2 years – 3 years
<input type="checkbox"/> 3 years – 4 years	<input type="checkbox"/> 3 years – 4 years	<input type="checkbox"/> 3 years – 4 years
<input type="checkbox"/> More than 4 years	<input type="checkbox"/> More than 4 years	<input type="checkbox"/> More than 4 years

### General Question

10. What was your reaction when you came to know about the retailer not having the desired Brand (Toothpaste, Antibacterial Soap, and Shampoo) in stock?

Frustration  
 Disappointed  
 Somewhat disappointed  
 Neutral  
 Not Disappointed

**Proposal on**  
**Buyer Response towards the Out-Of-Stock Situation of the Preferred Brand**  
**Products at Retail Stores**



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# **1. INTRODUCTION**

## **1.1 Background of the Study**

Stock outs are increasingly recognized as a retail problem by both researchers and practitioners. The fact that a stock out situation represents one of the most common problems encountered by customers in retail stores is confirmed by the results of several studies (Roland Berger Consultants, 2003; Supermarket Consumer Panel, 2011). Stock outs should be managed with a combination of efforts to (1) reduce the number of stock out instances and (2) offer remedies to manage the consumer's response whenever the stock out is unavoidable or is too expensive to eliminate (Anderson et al., 2006; Bhargava et al., 2006).

## **1.2 Statement of the Problem**

Past research have provided some information on consumer response towards stock out situation at retail store. This study will provide empirical data about the stock out situation and consumer responses towards it. This study will expand the literature of consumer response towards stock out situation and identify the relationship among factors. Additionally, there have been many studies/research works in different countries on consumer response towards stock out situations, but no such studies have been carried out in Nepalese context yet. In this context, this study will fill such research gap as well. This research will enable the viewer to gain in depth understanding of consumer response towards stock out situations, enables retailers to gain in depth understanding of the stock out problems, and use the recommended mitigation measures to minimize the negative effects of stock out on their consumers.

## **1.3 Objective of the Study**

Main purpose of this research is to understand the consumer response towards stock out situation at unorganized retail store. The specific purposes of the study are as follows:

- To assess buyer response towards stock-out-situation at retail stores;
- To examine the relationship of retail marketing factors (general time constraint, shopping trip, specific time constraint, store loyalty, perceived store price, perceived store service and brand loyalty) with buyer response towards **stock-out** situation

## **2. Literature Review**

This chapter will give an overview of literatures that are related with the research. This chapter attempts to analyze the relevant concept of consumer response towards preferred brand out of stock situation at retail store. Various literatures are reviewed that is related to given subject or chosen topic area. At the beginning, it has a broad concept and later relates to the factors that identifies how consumer response towards preferred brand out of stock situation at retail outlets along with the theoretical framework.

Hajszan and Timmerman (2016) found that consumers were most likely to switch to another product of the same brand. Consumer also responded to postponing the purchase until the product is available again. A great difference in behavior was detected in relation to switching to another store to buy the intended product.

Most studies apply either a field experiment or a survey. In field experiments, true stock outs are studied. Researchers either remove specific items or brands in advance of the research or ask consumers if they encountered a stock out situation during their shopping trip (quasi-experiments). Studies that apply exploratory designs (e.g., surveys) consider hypothetical stock-out situations. In these cases, respondents are asked how they would react if a purchased item or brand were unavailable. We expect that these differences in research design influence the stock out reactions of consumers. For example, the “cost” of switching stores is obviously lower in surveys, because consumers do not really have to perform this time-consuming activity (Sloot, 2006).

### 3. Proposed research Framework

The proposed study has not been carried out in Nepalese context till date. In order to fill these research gaps the following theoretical framework which is presented in figure 2.3 is proposed with respect to literature review.

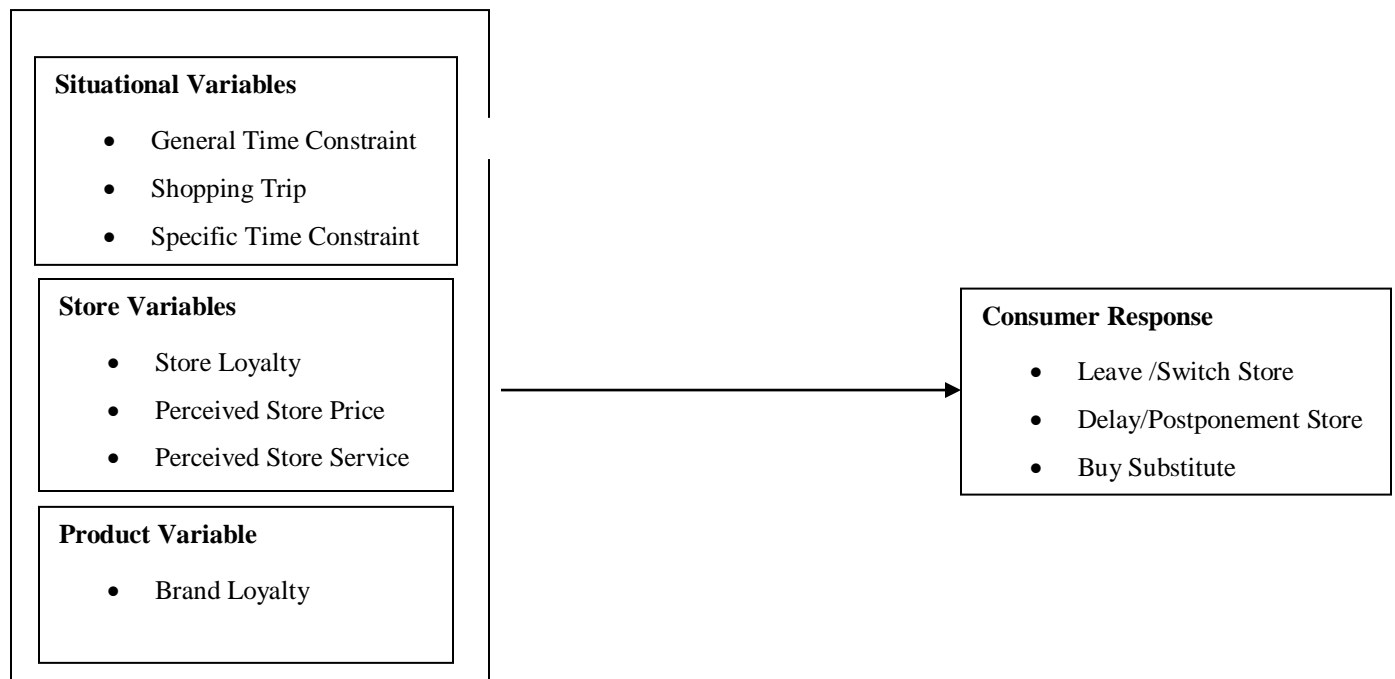


Figure :- Study Framework

[Based On International Journal of Humanities and Social Science; Consumer Response in out of Stock Situation at a Retail Store, (2015 March), Loya, S., Ismail, S., & Zaidi, H.]

## **4. RESEARCH METHODOLOGY**

The following chapter illustrates the methodological approach used for this research to meet the stated objective of the study.

### **4.1 Research Design**

Research design can be described as a general plan specifying the methods and procedure for collecting and analyzing the needed information. The type of research design will be used in this research can be categorized into two parts:

- i) **Descriptive research:**
- ii) **Explanatory research:**

### **4.2 Nature and source of Data**

The research methodology adopted will be basically based on primary data from which many related information could be collected. Primary data will be used for the study through the survey method

### **4.3 Population and Sampling Technique:-**

With the objective of the present study being to examine the consumer's response towards stock out situation at retail store, the population for the study will be around 135 from different background profiles in Kathmandu valley. The respondents will be asked to participate in an online survey and some respondents will be asked to participate in a market at retail store. In market, the survey will be conducted at retail stores i.e. family stores/ mom and pop store or kirana pasal.

### **4.4 Methods of Analysis:-**

The main instrument will be used in the conduct of the study is the structured questionnaire. The questionnaire will be designed to meet the stated objective of the research. However, the data will be collect from primary and secondary sources. The primary data obtained from semi-structured personal interviews and questionnaire that included different questions in 10 forms of multiple choices which is presented in the annexure. The secondary data is gathered from various websites, Graduate Research Project, relevant books etc.

### **4.5 Limitations of the study**

Any research work to be conducted is not without its limitations or shortcomings. There are always some limitations present while performing any work. Likewise, this research has some limitations as well which are mentioned below:

- The sample size that has been taken is small.
- The study was mainly conducted taking into account only seven variables. However, there could be other drivers which would have impacted the level of consumer satisfaction during online purchase, which were not considered.



- Due to limited time and varieties of aspects within this research area, we have narrowed down the focus of the study.
- This research study is based on the respondents within Kathmandu valley. Hence, the results of the study may not necessarily represent the entire Nepalese population.

Hence, the project will be particularly prepared with the help of information or data obtained on limited basis. However, attempt will be made to make it as authentic and realistic as possible.

## **5. Organization of the Study**

The whole research includes five chapters which include:

### **Chapter One: Introduction**

The first chapter deals with the general information of the consumer response towards preferred brand stock out situation at retail store as a whole and will pinpoint the objectives and theme of the research.

### **Chapter Two: Review of Literature**

This chapter attempts to analyze the relevant concept of consumer response towards preferred brand out of stock situation at retail store.

### **Chapter Three: Research Methodology**

This chapter begins to present the research strategy along with the research design, sampling technique as well as the instrumentation used for the research.

### **Chapter Four: Presentation and Analysis of Data**

The fourth chapter is the major part of the research work which is related with the presentation, analysis and interpretation of data with reference to consumer response towards preferred brand stock out situation at retail store

### **Chapter Five: Conclusion and Recommendations**

The fifth chapter will be the concluding chapter where summary will be discussed, conclusions will be drawn, and recommendation will be made.

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