MK 322 Retail Management
Chapter 4: Consumer Buying Behavior Part II

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Types of Buying Decisions

Extended Problem Solving

- Extended problem solving: is a purchase decision process in which customers devote considerable time to analyze their alternatives

- Customers typically engage in extended problem solving when the purchase decision involves a lot of risks and uncertainty

Extended Problem Solving

- Financial risks: arise when customers purchase an expensive product or service

- Physical risks:are important when customers feel that a product or service may affect their health and safety

- Social risks: arise when customers believe a product will affect how others view them.

❖ Lasik eye surgery is good example of 3 risks

Extended Problem Solving

Limited Problem Solving

- Limited Problem Solving: is a purchase decision process involving a moderate amount of effort and time

- Customers engage in this buying behavior if they have some prior experience about product and experience and their risk is moderate

Limited Problem Solving

- Impulse buying or unplanned purchasing: which is a buying decision made by customers on the spot after seeing the merchandising

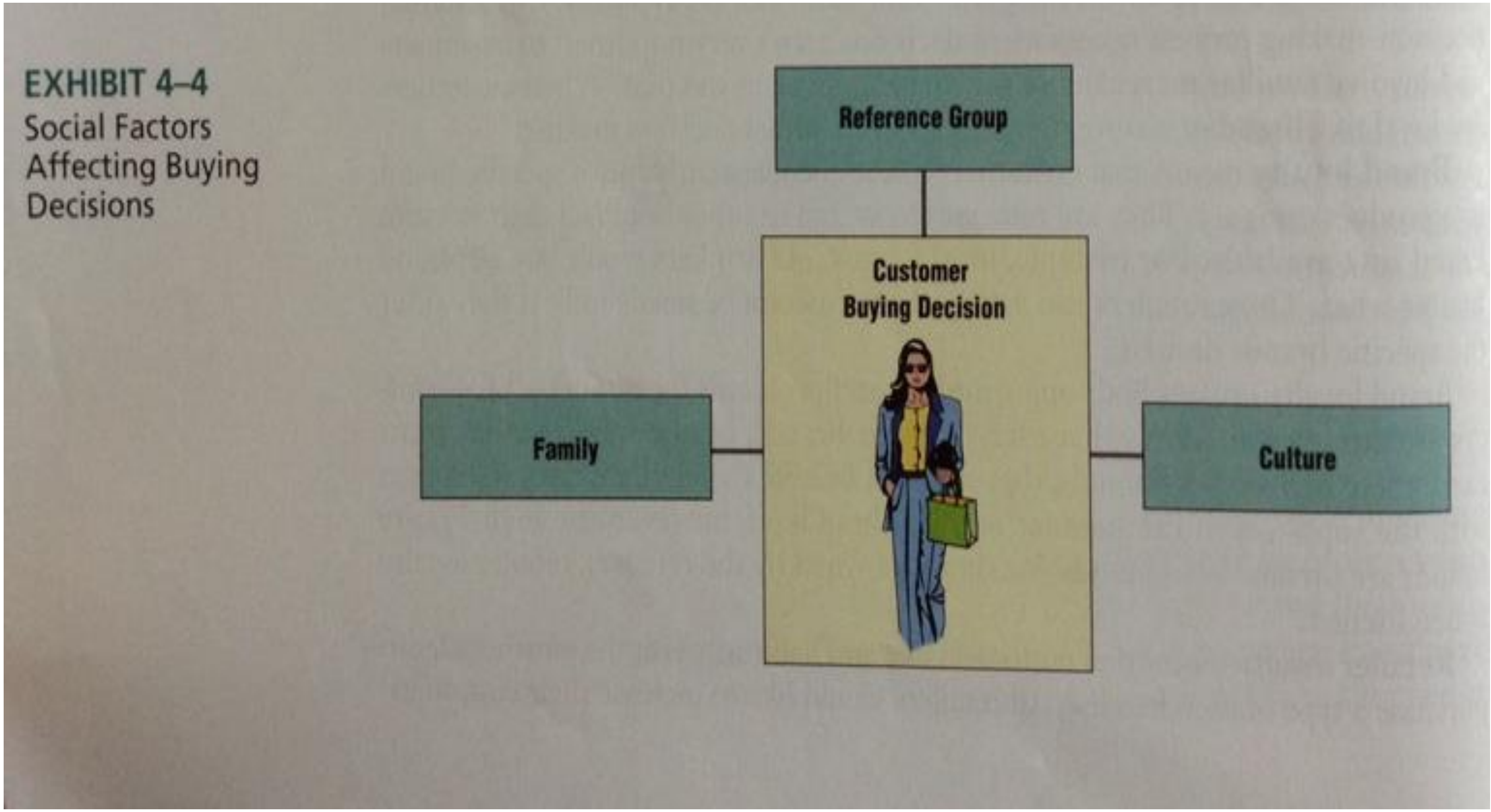
Habitual Decision Making

- Habitual decision making: is a purchase decision involving little or no conscious effort
- Brand Loyalty: means that customers like and consistently buy a specific brand in a product category. They are reluctant to switch
- Retailer Loyalty: means that all customers like and habitually visit the same retailer to purchase a type of merchandise

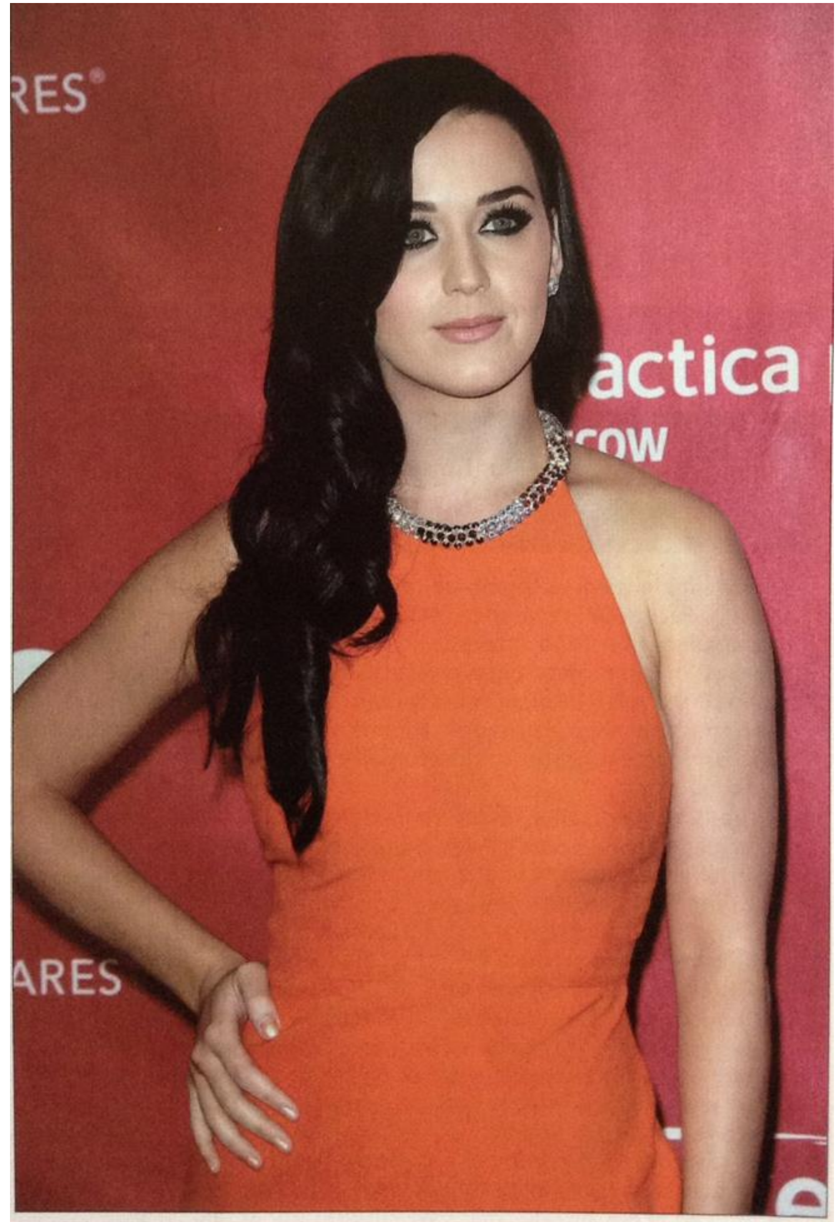
Economic Factors Influencing Buying Behavior

- The Economy

Social Factors Influencing Buying Behavior



Social Factors Influencing Buying Behavior



Shoppers look to celebrities like Katy Perry for fashion tips.

Social Factors Influencing Buying Behavior

Many retailers and shopping center managers have adjusted their strategies to appeal to different cultures and subcultures.


McDonald's
FAMILY RESTAURANT
5279
S. KUMAR


McVeggie™
McAlooTikki™
Paneer
Salsa Wrap
Crispy Chinese
McCurry Pan™
Pizza
McPuff™

Market Segmentation

Market Segmentation

- A retail market segment: is a group of customers who attracted to the same retail mix because they have similar needs.

Approaches for Segmenting Markets

EXHIBIT 4-5
Methods for Segmenting Retail Markets

Segmentation Descriptor	Example of Categories
GEOGRAPHIC	
Region	Pacific, Mountain, Central, South, Mid-Atlantic, Northeast
Population density	Rural, suburban, urban
Climate	Cold, warm
DEMOGRAPHIC	
Age	Under 6, 6–12, 13–19, 20–29, 30–49, 50–65, over 65
Gender	Male, female
Family life cycle	Single, married with no children, married with youngest child under 6, married with youngest child over 6, married with children no longer living at home, widowed
Family income	Under $19,999; $20,000–29,999; $30,000–49,999; $50,000–$74,999; over $75,000
Occupation	Professional, clerical, sales, craftsperson, retired, student, homemaker
Education	Some high school, high school graduate, some college, college graduate, graduate degree
Religion	Catholic, Protestant, Jewish, Muslim
Race	Caucasian, African-American, Hispanic, Asian
Nationality	American, Japanese, British, French, German, Italian, Chinese
PSYCHOSOCIAL	
Social class	Lower, middle, upper
Lifestyle	Striver, driver, devoted, intimate, altruist, fun seeker, creative
Personality	Aggressive, shy, emotional
FEELINGS AND BEHAVIORS	
Attitudes	Positive, neutral, negative
Benefit sought	Convenience, economy, prestige
Stage in decision process	Unaware, aware, informed, interested, intend to buy, bought previously
Perceived risk	High, medium, low
Innovativeness	Innovator, early adopter, early majority, late majority, laggard
Loyalty	None, some, completely
Usage rate	None, light, medium, heavy
Usage situation	Home, work, vacation, leisure
User status	Nonuser, ex-user, potential user, current user

Criteria for Evaluating Market Segments

- Actionable: meet needs of the segment
- Identifiable: customer target and size
- Substantial: is it big enough
- Reachable: retailer can target promotions and other elements of retail mix

Approaches for Segmenting Markets

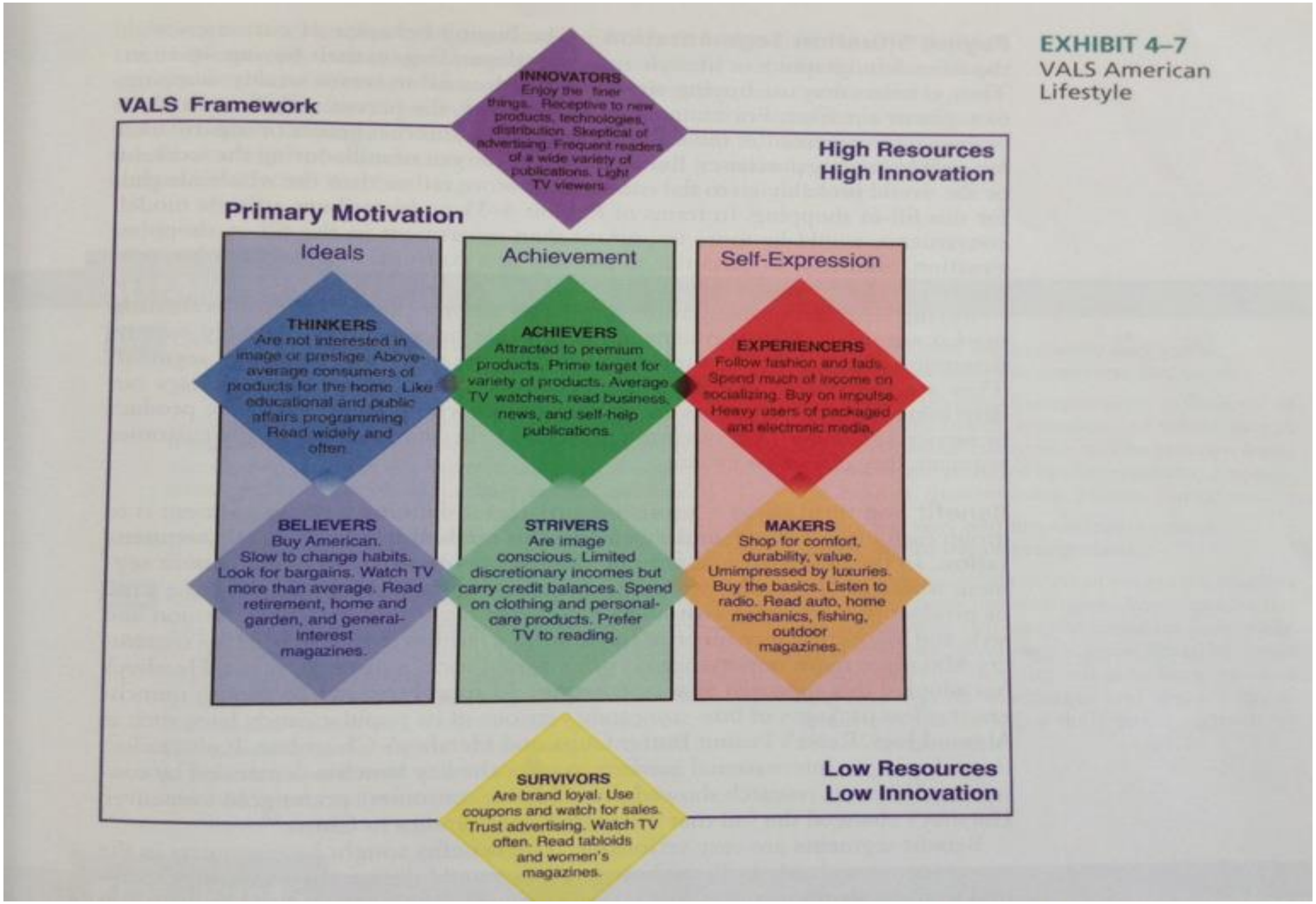
EXHIBIT 4–6
Examples of Tapestry



	Segment 01 - *Top Rung*	Segment 18 - *Cozy and Comfortable*	Segment 52 - *Inner City Tenants*
LifeMode Summary Group	L1 *High Society*	L2 *Upscale Avenues*	L8 *Global Roots*
Urbanization Summary Group	U3 *Metro Cities I*	U8 *Suburban Periphery II*	U4 *Metro Cities II*
Household Type	Married-Couple Families	Married-Couple Families	Mixed
Median Age	44.6	41.7	28.8
Income	High	Upper Middle	Lower Middle
Employment	Prof/Mgmt	Prof/Mgmt	Srvc/Prof/Mgmt/Skilled
Education	Bach/Grad Degree	Some College	No HS Diploma; HS; Some Coll
Residential	Single Family	Single Family	Multiunit Rentals
Race/Ethnicity	White	White	White; Black; Hispanic
Activity	Participate in public/civic activities	Dine out often at family restaurants	Play football, basketball
Financial	Own stock worth $75,000+	Have personal line of credit	Have personal education loan
Activity	Vacation overseas	Shop at Kohl's	Go dancing
Media	Listen to classical, all-news radio	Listen to sporting events on radio	Read music, baby, fashion magazines
Vehicle	Own/Lease luxury car	Own/Lease minivan	Own/Lease Honda

SOURCE: Esri, "Tapestry Segmentation: The Fabric of America's Neighborhoods."

Approaches for Segmenting Markets



Approaches for Segmenting Markets

Approaches for Segmenting Markets

Starbucks' Target Market

Starbucks' historical customer profile had expanded

Historical customer profile	Evolved customer profile
▪ Affluent segment ▪ Well-educated ▪ White-collar patrons ▪ Skewed to female ▪ Between the ages of 25 to 44	▪ Tended to be younger with average age of customers was 36 ▪ Less well-educated ▪ Had a lower income bracket than Starbucks' more established customers

Lead to the changing of customer needs!!

Approaches for Segmenting Markets

Sawasdee Krub