MK 322 Retail Management
Chapter 4: Consumer Buying Behavior

By Ajarn Suwalya K.

The Buying Process

Buying Process

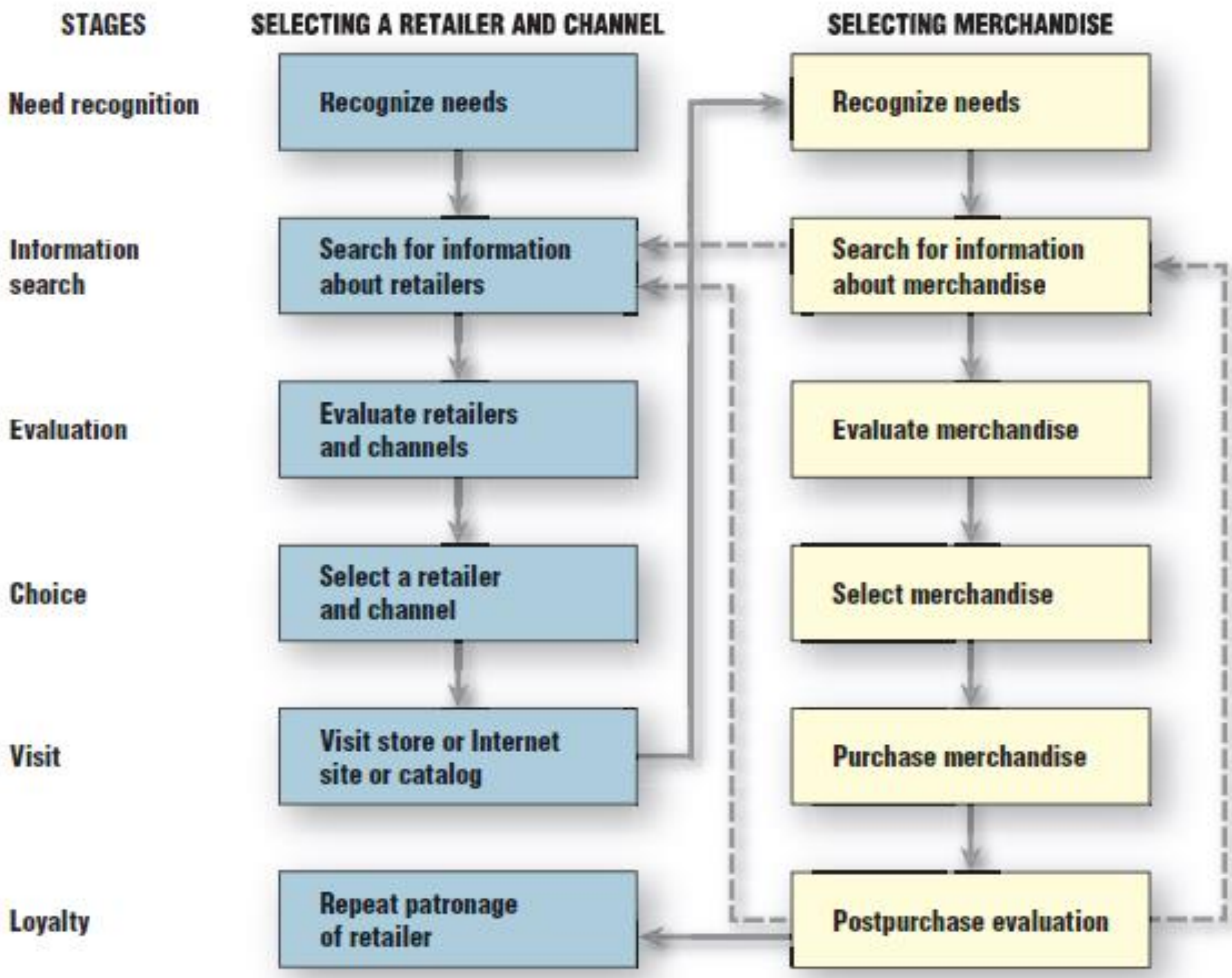


EXHIBIT 4–1
Stages in the Buying Process

Need Recognition

- An unsatisfied need arises when customers' desired level of satisfaction differs from their present level of satisfaction.

159_CSC-07811.jpg "CONFESSIONS OF A SHOPAHOLIC" Isla Fisher Ph: Robert Zuckerman

Need Recognition-Types of Needs

- Types of Needs

Utilitarian needs: when consumers are going shopping to accomplish a specific task….are associated with work, etc.

Hedonic needs: when consumers go shopping for pleasure.. Their needs for entertaining, emotional, and recreational experiences.

Need Recognition- Types of Needs

The BLOG POWER LIST

They've got the world at their feet. When they're not sitting front row, they're signing book deals and starring in ad campaigns. We asked a panel of industry experts to select their top ten favorite blogs

Follow NET-A-PORTER on Twitter and tell us who your favorite blogger is

MEET THE PANEL

MICKEY BOARDMAN Founder, Paper Magazine

DEREK BLASBERG Editor-at-Large, Harper's Bazaar US

GRACE LAM Senior Fashion Style Editor, Vogue China

COLIN MCDOWELL Fashion Commentator

JONNY JOHANSSON Creative Director, Acne

ANNA LAUB Creative Director, Prism

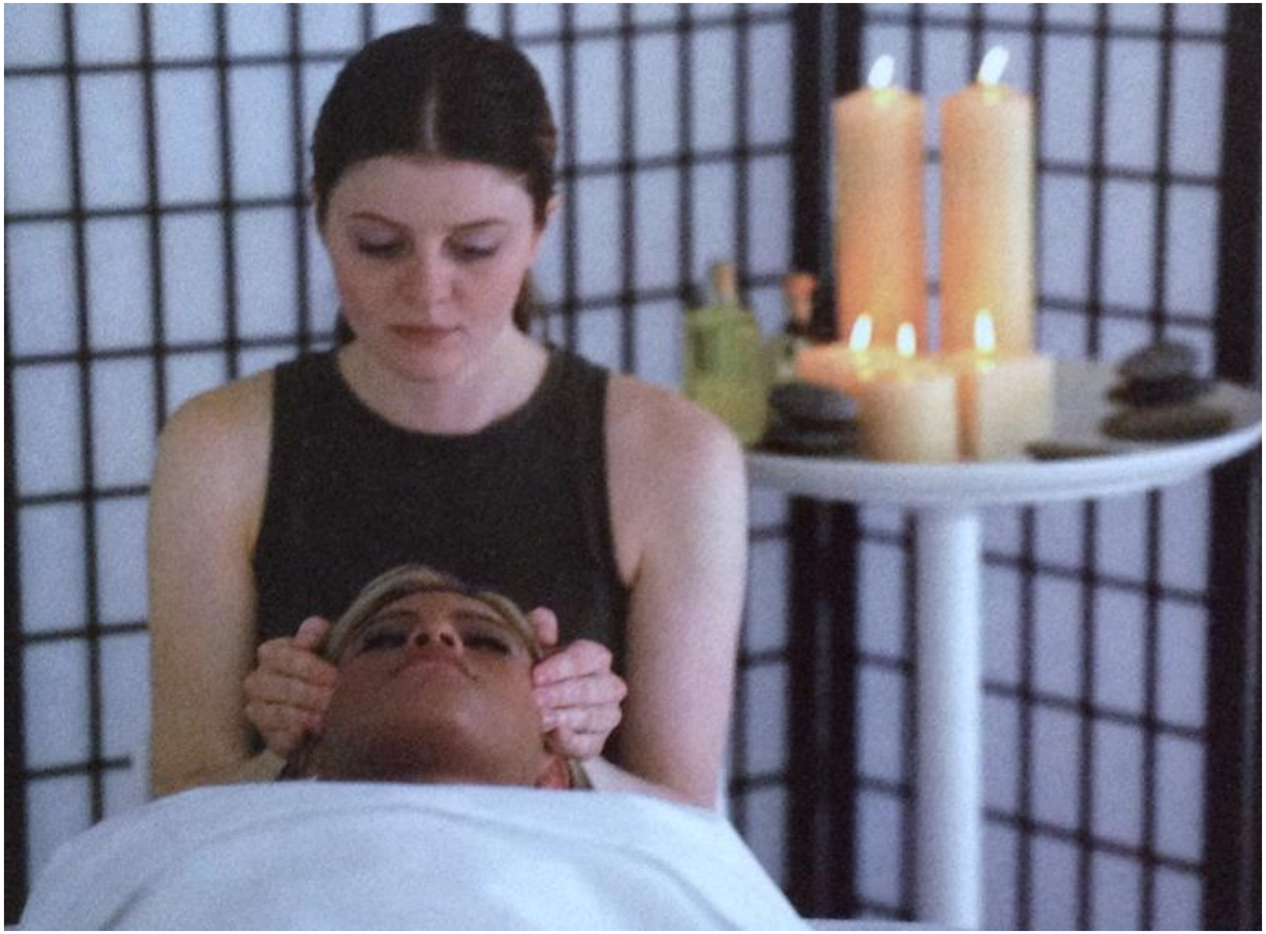
PETER PILOTTO & CHRISTOPHER DE VOS Designers, Peter Pilotto

RICHARD NICOLL Creative Director, Richard Nicoll

RICH TONG Fashion Director, Tumblr

MATTIAS SWENSON Founder, Bloglovin'

Need Recognition-Types of Needs



Spas make guests the center of attention and satisfy hedonic needs

Need Recognition-Types of needs

- Successful retailers attempt to satisfy **both the utilitarian and hedonic needs** for their customers.
- Retailers need to **provide adequate information and effortless shopping experience** for utilitarian shoppers.
- Retailers need to provide shoppers with hedonic needs with **excitement, status and power, recreation and adventure.**

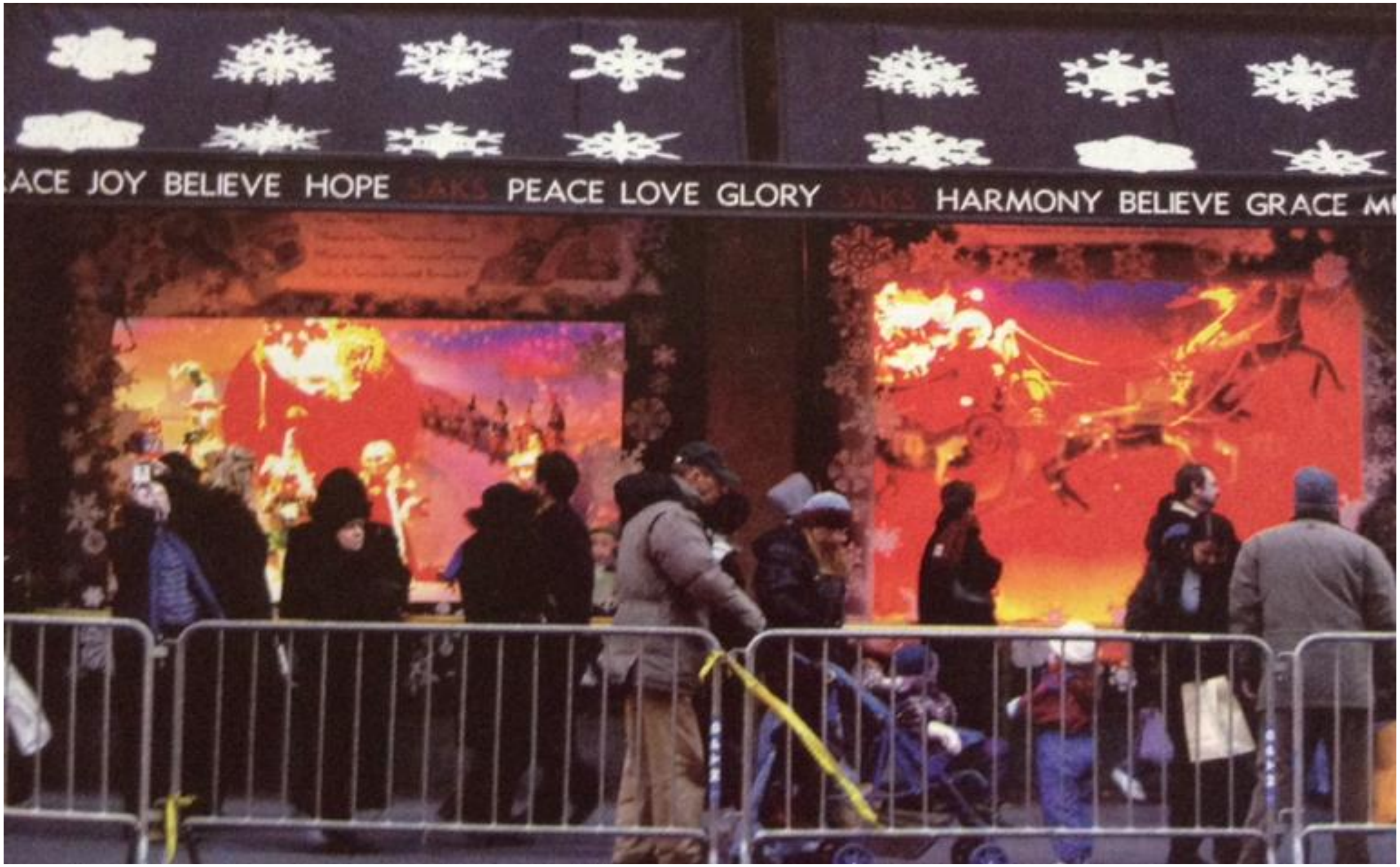
Need Recognition

- How retailers satisfy hedonic needs?

- **Stimulation:** using background music, visual displays, scents, demonstration in stores, malls
- **Status and Power**: some people choose retailers based on the attention and respect they receive
- **Adventure**: Often consumers go shopping because they enjoy finding bargains, looking for sales, and finding discounts or low prices. They treat shopping as a game to be "won"


SALE

Need Recognition



Saks Fifth Avenue uses its exciting window display to stimulate need recognition.

Need Recognition-Conflicting Needs

- Most consumers have **multiple needs**
- These needs are often in **conflict**

- Cross-shopping: pattern of buying both premium and low-priced merchandise or patronizing both expensive, status-oriented retailers and price-oriented retailers

➢For example a skier may purchase expensive Spyder googles but wear inexpensive snowsuit from Target.

Need Recognition- Stimulating Need Recognition

- Customers must first **recognize unsatisfied needs before they are motivated to visit a store** or go online to buy merchandise,
- Sometimes they are stimulated by an **event in a person's life event**
- Retailers use a **variety of approaches** to stimulate unmet needs via Advertising, e-mails, direct mail, public relations, special events, etc...

Stimulating Need Recognition: Person's Life Event

Need Recognition-
Stimulating Need Recognition


TOYOTA
ขับเคลื่อนความสุข
LIVE
ALIVE
TOYOTA
TOYOTA
BIG
DAY
SPECIAL


GUERLAIN
GUERLAIN
GUERLAIN
LANCOME
LANCOME
CHANEL
sisley


ROBINSON
SCHOOL BREAK
ช้อป..
สนุกทุกปิดเทอม
ลดสูงสุด
30%
18 เม.ย. – 8 พ.ค. 59
ลุ้น
โล่ทองคำ
“Marvel's Captain America Civil War”
มูลค่า
5 แสน บาท
CIVIL WAR
APRIL 27, 2016

Information Search

- Once customers identify a need, they typically **seek information about retailers, channels**, or products to help them satisfy that need

Information Search-
Sources of Information

- Internal sources:are information in a customer's memory such as names, images, and past experiences with different stores.

- External sources:consist of information provided by a host of sources. Searching information from google, websites, from traditional media including advertising, product demonstrations from youtube.

Information Search-
Amount of Information Searched

- Information search undertaken depends on the value customers believe they can gain from searching versus cost of searching.

Information Search-
Amount of Information Searched

The amount of information search is affected by

- 1. Characteristics of individual customers
- 2.Aspects of the market and buying situation in which the purchase is made

Two marketplace and situational factors affecting information search are

- 1. The number of competing brands and retail outlets
- 2. The time pressure under which the purchase must be made

Information Search-
Reducing Information Search

- The retailer's objective for customers in the information search stage is to limit the customers' search to its store or website

- One measure of a retailer's performance on this objective is the conversion rate: the percentage of customers who enter a store or access a website and then buy a product from that same store or website

Conversion Rate $= \dfrac{\text{Sales Transactions}}{\text{Gross Traffic Count}}$

20% $= \dfrac{200}{1{,}000} \quad \dfrac{\text{(Transactions)}}{\text{(Traffic Count)}}$

Note: Each element of the retailing mix can be used to increase a retailer's conversion rate, ie, deep assortment of merchandise

Source: Increase Retail Conversion Rates: 8 Strategies for Brick and Mortar Stores (koronapos.com)

Information Search-
Reducing Information Search

- **Walmart, Tesco Lotus uses everyday low pricing(EDLP) stategy**
- Stressing continuity of retail prices at a level somewhere between the regular nonsale price and deep discount sale price of its competitors.
- This strategy helps assure customers that they won't find a lower price for these products elsewhere

Information Search- Internet, Information Search, and Price Competition

- The **internet and smartphones** have had a profound impact on consumers'ability to gather external information
- Concerns that ease of collecting price information via internet increases price competition
- Internet also gives information on quality and performance apart from price

Information Search- Internet, Information Search, and Price Competition

Lowe's uses iPhones to help customers with their shopping

BEST PRICE
HOT SALE
SPECIAL PRICE
New Arrivals
UP TO 70% BIG SALE
BEST PRICE
HOT SALE
SPECIAL PRICE
New Arrivals
70% BIG SALE

Internet of Things for Retailers

iProximity
everything connected

Know exactly which consumers were instore, how long they stayed and what products they were interested in. Display heat maps to optimise store layouts

Digital Signage becomes smarter, use it to display personalised contextual content based on who is close by

Re-target consumers on social media based on their precise in-store product interest

Set up in App notifications, SMS, Email or API alerts when certain combinations of monitored conditions have been reached

Extend your digital signage to display relevant product information to consumers & simultaneously send an offer to their mobile phone

Detect and be alerted of emergency events such as power outrages, presence of gas, smoke, fire, water, unauthorised access, etc

Detect and log the arrival, movements and exit times of staff. Deliver OH&S messages based on their context.

Understand your consumer's online product interest and automatically assist them to find those products when they arrive in-store

Track products through the supply chain and whilst in-store with RFID tags

Engage consumers allowing the simplified discover of product information on smartphones using NFC, QR Codes or existing product barcodes

Deliver personalised mobile coupon or promotional offers to drive store traffic or entice customers when in store

Beacons detect consumer's proximity and allow a wide range of interaction, delivering both proximity based content and product information, in addition to consumer visitation insights

Detect the presence of customers via Wi-Fi. Offer free Wi-Fi services to engage consumers and deliver mobile coupons upon sign up

Sensors placed around the store detect events such as cupboards being opened, fridge temperatures, movement in store rooms, etc

iPR tm
retail IoT HUB

Information Search- Internet, Information Search, and Price Competition

- What Apps in Thailand?

Multiattribute Model

Marketers measure and assess consumer attitudes, using the multi-attribute attitude model, to improve the **positioning of products and brands** and firms. ... Beliefs reflect how much a consumer believes that the product or brand or firm will deliver the attribute.

Evaluation of Alternatives: The Multiattribute Model

This model is based on the notion that customers see a retailer, a product, or channel as a collection of a product, retailer, or channel on the basis of

- 1**. Its performance on relevant attributes**
- 2. **The importance of those attributes to the customer**

Evaluation of Alternatives: The Multiattribute Model

- The Multi Attribute Model **breaks down the consumer's overall attitude and behavior into smaller components**. These components could be perceived benefits, functions, product features, etc., and are collectively known as Product Attributes.

The Multiattribute Model:

Beliefs about Performance

Characteristics About Food Retailers

A. INFORMATION ABOUT STORES SELLING GROCERIES			
Store Characteristics	**Supercenter**	**Supermarket**	**Internet Grocer**
Grocery prices	20% below average	average	10% above average
Delivery cost ($)	0	0	10
Total travel time (minutes)	30	15	0
Typical checkout time (minutes)	10	5	2
Number of products, brands, and sizes	40,000	25,000	20,000
Fresh produce	Yes	Yes	Yes
Fresh fish	Yes	Yes	No
Ease of finding products	Difficult	Easy	Easy
Ease of collecting nutritional information about products	Difficult	Difficult	Easy

B. BELIEFS ABOUT STORES' PERFORMANCE BENEFITS*			
Performance Benefits	**Supercenter**	**Supermarket**	**Internet Grocer**
Economy	10	8	6
Convenience	3	5	10
Assortment	9	7	5
Availability of product information	4	4	8

Exhibit 4-2

Evaluation of Retailers

IMPORTANCE WEIGHTS*			PERFORMANCE BELIEFS		
Characteristic	Young Single Woman	Parent with Four Children	Supercenter	Supermarket	Internet Grocer
Economy	4	10	10	8	6
Convenience	10	4	3	5	10
Assortment	5	8	9	7	5
Availability of product information	9	2	4	4	8
OVERALL EVALUATION					
Young single woman			151	153	221
Parent with four children			192	164	156

*10 = very important; 1 = very unimportant.

Exhibit 4-3

The Multiattribute Model:

Implications for retailers

To develop a program for attracting customers, retailers need to do market research to collect the following information:

- 1. Alternative retailers that customers consider
- 2. Characteristics or benefits that customers consider when evaluating and choosing a retailer
- 3. Customers' rating of each retailer's performance on the characteristics
- 4. The importance weights of each retailer's performance on the characteristics

The Multiattribute Model:

Getting into the Consideration Set

- Retailers need to be included in the customer's consideration set, or **set of alternatives the customer evaluates when making a choice of a retailer to patronize**

- For example Starbucks locates several stores in same area, for customers to be exposed to the store name


STARBUCKS COFFEE



STARBUCKS COFFEE

The Multiattribute Model: Getting into the Consideration Set

After ensuring that it is in consumers' consideration set, a retailer can use three methods to increase the chances that customers will select it for a visit

- 1. **Increase beliefs** about the store's performance
- 2. Change **customers' importance weights**
- 3. Add a **new benefit**

Purchasing the Merchandise or service

- Customers **do not always patronize** a store or purchase a brand or item of merchandise with the highest overall evaluation

Purchasing the Merchandise or service

Retailers use various tactics to increase chances that customers will convert their positive evaluations into purchases

- 1. Attempt to make it **easy for purchase**, ie. Mobile friendly websites
- 2.Sufficient information that **reinforces positive evaluation,** ie salesperson feedback
- 3.**Reducing risk of making purchase** mistake, ie money-back guarantees, refunds
- 4.Create **sense of urgency or scarcity**, ie. Flash sales

Postpurchase Evaluation

- After making a purchase, the customer evaluates the experience to determine whether it was satisfactory or unsatisfactory, or even Delighted

- Satisfaction:how well a store or product meets customer expectations
- Delight: how well a store or product exceeds or go beyond customer expectations

- Postpurchase evaluation then becomes part of customer's internal information and affects store and product evaluations and purchase decisions

Buying Process

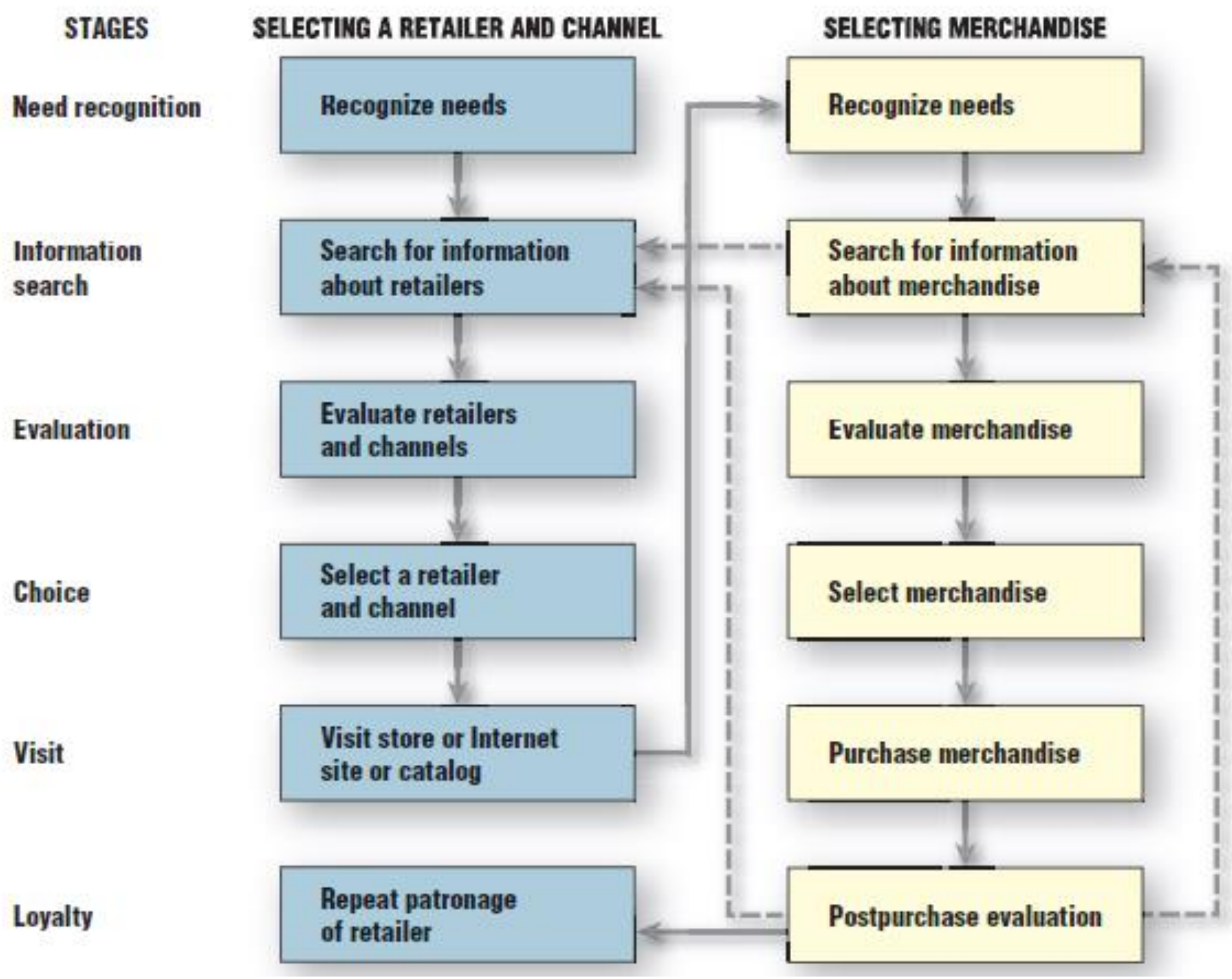


EXHIBIT 4–1
Stages in the Buying Process

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

Cosmetic Surgery:

Risks to think about

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

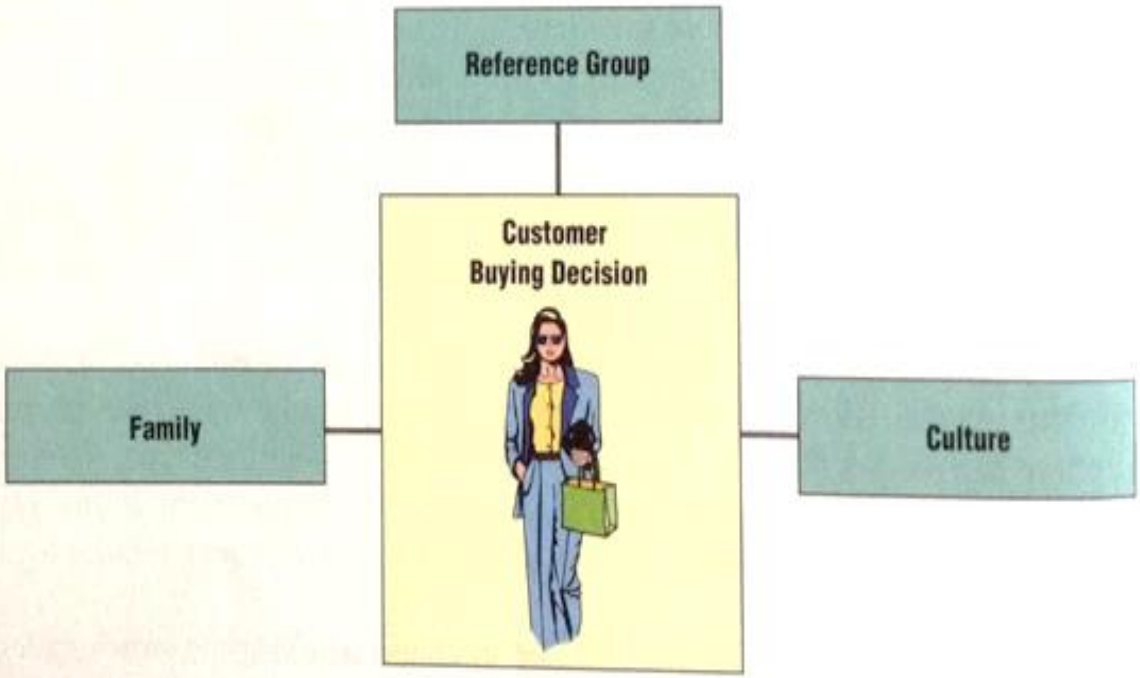
Habitual buying behavior
This type of consumer buying behavior is characterized by low involvement in a purchase decision. A client sees no significant difference among brands and buys habitual goods over a long period. An example of habitual buying behavior is **purchasing everyday products**.

Social Factors Influencing Buying Behavior

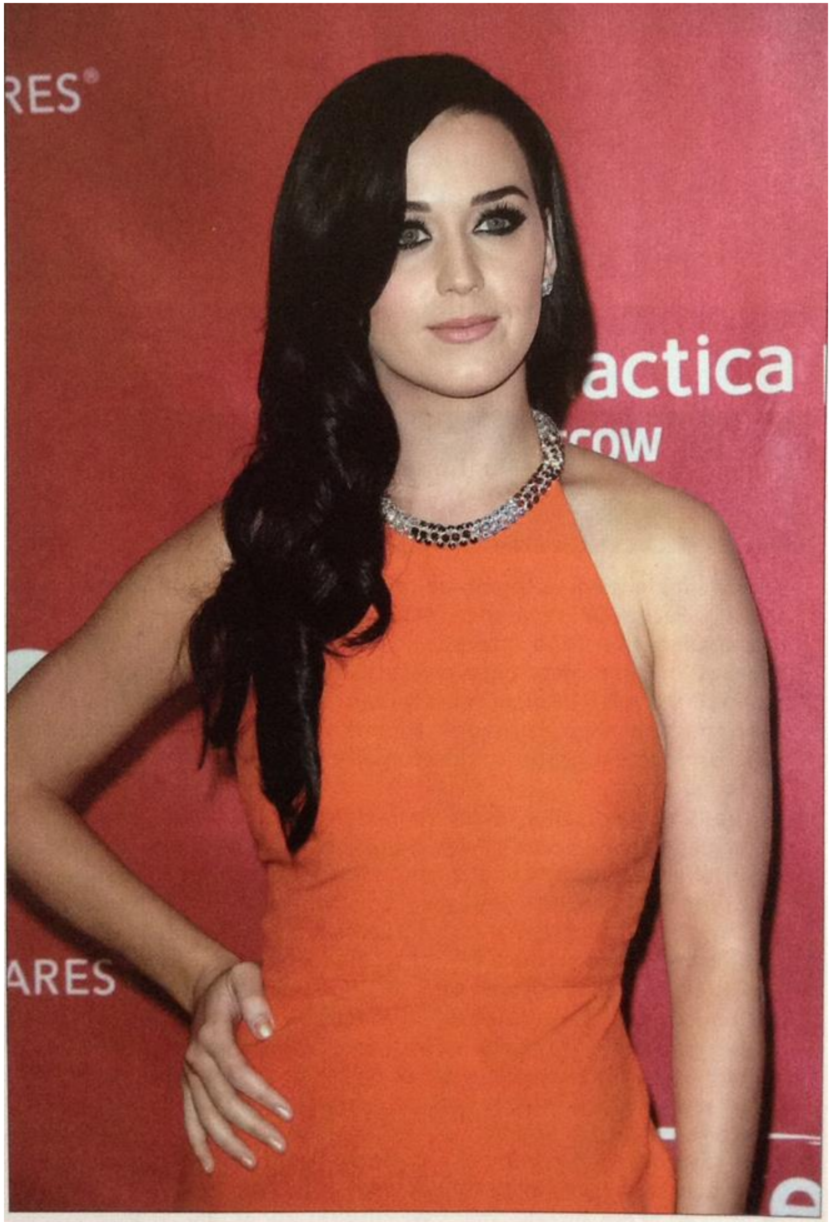
- The Economy

Social Factors Influencing Buying Behavior

EXHIBIT 4–4
Social Factors Affecting Buying Decisions



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™


STARBUCKS COFFEE
RBUCKS COFFEE
104

蓝莓星空

橘香茉吉托

酸柠浮冷萃

醋意桃桃

石榴仲夏梦

气炫冰山美式

璃光石榴冷萃

橙柚派对

Market Segmentation

FIGURE | 13.1
Retailer Marketing Strategy

As with other types of marketers, the name of the game for retailers is to find the customer-driven marketing strategy and mix that will let them create value for customers and capture value in return. Remember Trader Joe's "cheap gourmet" value proposition? And Olive Garden's "When you're here, you're family"?

Market Segmentation

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

Methods for Segmenting Retail 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

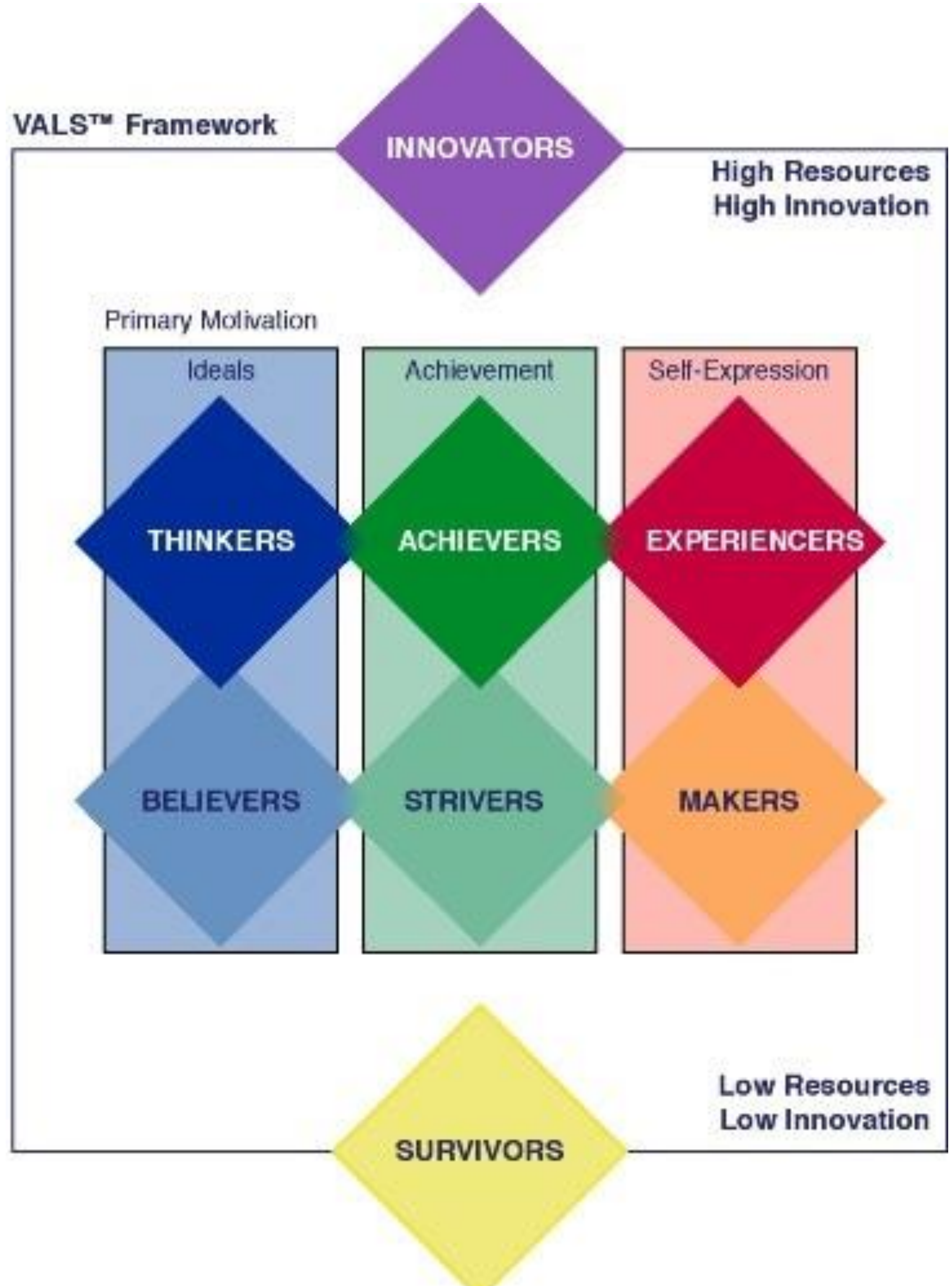
	Segment 01 - *Top Rung* 	Segment 18 - *Cozy and Comfortable* 	Segment 52 - *Inner City Tenants* 
LifeMode Summary Group	L1 *High Society*	L2 *Upscale Avenues*	L8 *Global Roots*
Urbanization Summary Group	U3 *Metro Cities I*	U8 *Suburban Periphery II*	U4 *Metro Cities II*
Household Type	Married-Couple Families	Married-Couple Families	Mixed
Median Age	44.2	42.3	27.8
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," www.esri.com/library/fliers/pdfs/tapestry_segmentation.pdf.

Approaches for Segmenting Markets

Exhibit 4-7 VALS American Lifestyle

The acronym VALS, (for "Values, Attitudes and Lifestyles") **is a psychographic segmentation**. ... The main dimensions of the segmentation framework are primary motivation (the horizontal dimension) and resources (the vertical dimension). The VALS approach is derived from a theoratical base in Maslow's work (1954)



Example: VALS Values & Lifestyle

Innovators
Highest income, self esteem & abundant resources; can indulge in any or all self-orientations

Thinkers
High resource motivated by ideals; mature, responsible, well-educated professionals; practical consumers & rational decision makers

Believers
Low resource group; conservative & predictable consumers; prefer established brands; life centered around family, church, community & nation

Survivors
Lowest income, too few resources to be included in any self-orientation; oldest of all segments with limited means, who tend to be brand loyal

Achievers
Successful, work-oriented & get satisfaction from job & family; politically conservative & respect authority; Favor established products that show off their success to peers

Strivers
Values similar to achievers but few economic, social & psychological resources; style is important

Experiencers
Youngest of all the segments; Lot of energy; physical exercise & social activities; heavy spenders on clothing, fast food, music; emphasis new products

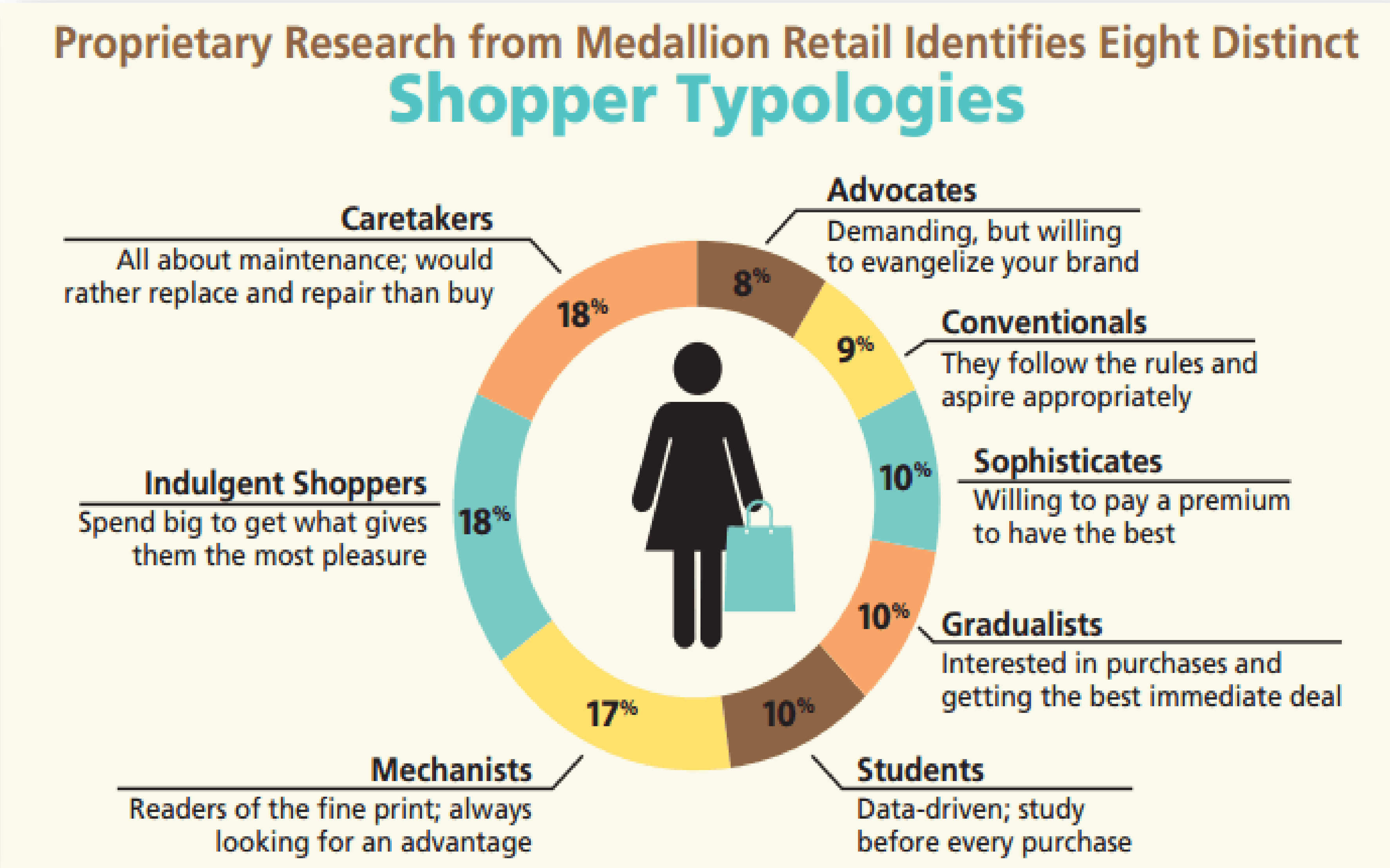
Makers
Practical people who value self-sufficiency; focused on family, work, physical recreatior appreciate practical & functiona products

Demographic and Behavior Snapshots Highlight the Vibrancy of Using VALS™

Primary Motivation		Ideals		Achievement		Self-Expression		
	Innovators	Thinkers	Believers	Achievers	Strivers	Experiencers	Makers	Survivors
Psychological Descriptors	Lifestyle Changers Information Ready Future Oriented	Conservative Mature Reflective	Economical Neighborly Me-Too Followers	Aspirational Hardworking Moderate	Fun Loving Up to Date Overwhelmed	Assertive Energetic Optimistic	Hands-On Practical Self-Reliant	Cautious Loyal Traditional
Median age	42	62	52	38	31	25	47	68
Median HHI	$126K	$115K	$60K	$116K	$39K	$85K	$59K	$25K
	Percent of Innovators	**Percent of Thinkers**	**Percent of Believers**	**Percent of Achievers**	**Percent of Strivers**	**Percent of Experiencers**	**Percent of Makers**	**Percent of Survivors**
Women	49	52	78	51	43	46	30	59
Married	46	78	57	82	28	25	68	38
Employed Full Time	64	45	49	78	45	52	60	10
Live with Parent(s)	12	<1	4	4	19	43	4	3
Have a Student Loan (Personal or Joint)	17	7	4	12	4	9	3	<1
Work Full Time	67	51	42	65	40	41	55	13
Political Outlook: Very Conservative	3	18	19	12	12	11	18	23
Visited a General/Family Doctor in Past 12 Months	52	55	46	41	27	30	45	47
Obtained Medical Insurance from Government Source	10	10	12	5	14	6	11	18
Watched Netflix in Past 7 Days	33	21	17	26	26	36	20	8
Household Subscribes to Amazon Prime	70	52	30	59	27	48	33	13

Source: VALS™/GfK MRI Fall 2018

Approaches for Segmenting Markets


Proprietary Research from Medallion Retail Identifies Eight Distinct
Shopper Typologies
Advocates
Demanding, but willing to evangelize your brand
8%
Conventionals
They follow the rules and aspire appropriately
9%
Sophisticates
Willing to pay a premium to have the best
10%
Gradualists
Interested in purchases and getting the best immediate deal
10%
Students
Data-driven; study before every purchase
10%
Mechanists
Readers of the fine print; always looking for an advantage
17%
Indulgent Shoppers
Spend big to get what gives them the most pleasure
18%
Caretakers
All about maintenance; would rather replace and repair than buy
18%

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


Men go shopping to buy what they want.
Women go shopping to find out what they wants.


HOW MEN AND WOMEN SHOP DIFFERENTLY
Mission is to BUY A SHIRT
SHOPPING INFLUENCES
Men rely more on newspaper, magazines and online.
Women rely more on their social circle: Family, Friends, and Sales People
Functional and Goal Oriented
Social and Serendipitous
BUY ONLINE
Men are more likely to have bought online than women.
Women are more likely to use Social Media for Shopping
SOCIAL


THE MALE SHOPPER
THE AVERAGE GUY AT THE GROCERY STORE
Don't underestimate the importance of the male shopper. More men are shopping frequently and making just as many monthly store visits as women. Men *and* women average **15** visits a month.
65%
Shop at least twice a week
(Avg. 3 channels a week)
58%
Shop at least twice a week
(Avg. 3 channels a week)
49%
Shopped two or more stores on most recent trip
54%
Shopped two or more stores on most recent trip
Men tend to shop the club, convenience and online channels more than women, in part because these channels allow them to quickly purchase what they need.

19 Types of Shoppers You Meet at the Supermarket

Meir Kay · 860K views · 3 years ago

Group Assignment 4
Consumer Buying Process & Retail STP

4.1 Group Assignment: Please refer the assignment to your group project category on Buying Process

- Please analyze the Buying Process in your project group retail business by using specific merchandise/examples in your retail. Also focus on the **hedonic and utilitarian** aspects in your retail.

- Please create maximum 3 page ppt. slide and prepare/find 1 short vdo clip of the shopping experience in your retail. due next Tuesday Feb. 8 Please design the one page by using photos, graphs, charts, visuals to make one page interesting ka.

Buying Process

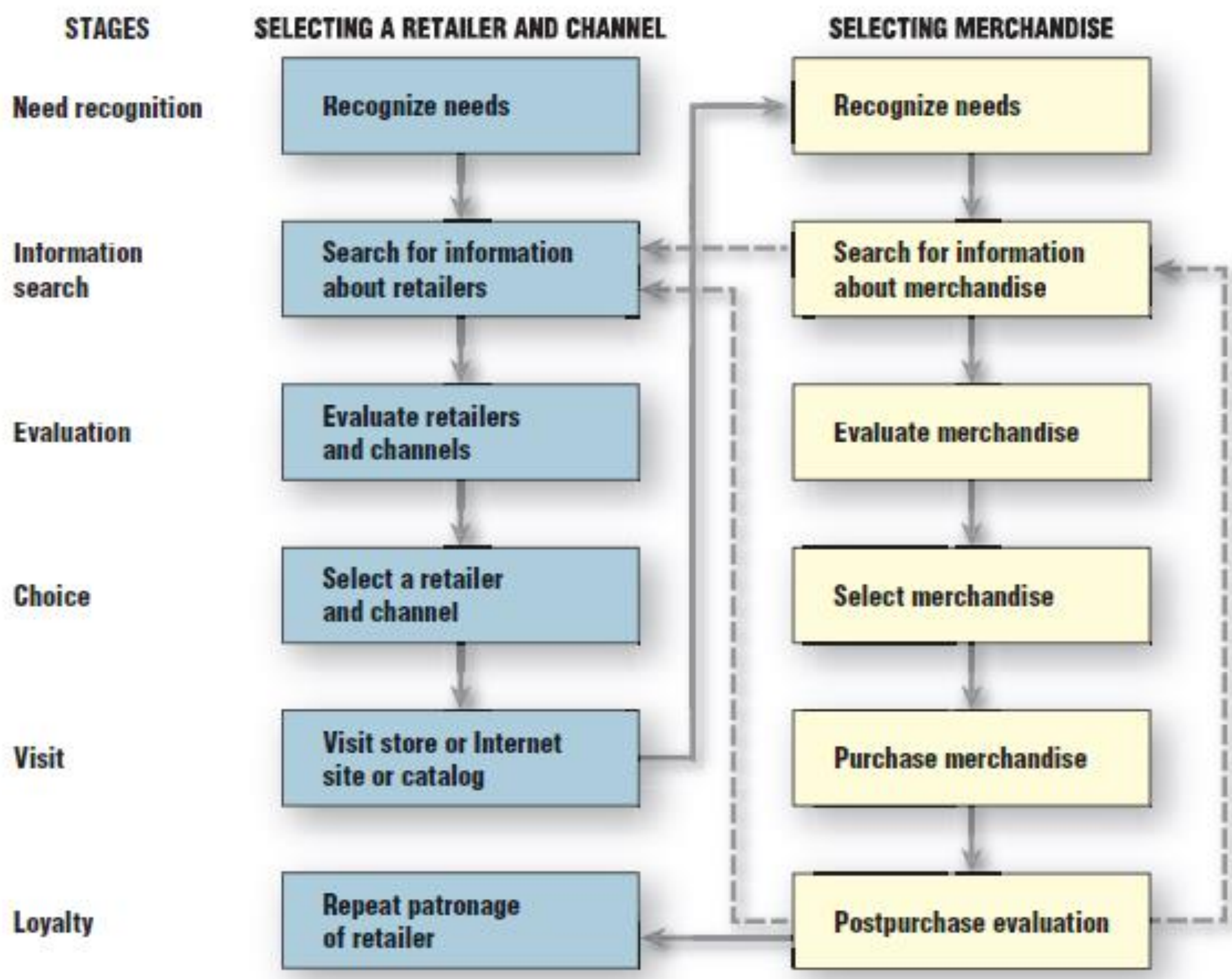


EXHIBIT 4–1
Stages in the Buying Process

4.2 Group Assignment: Please refer the assignment to your group project category on STP/Retailer Marketing Strategies

- Analyze the STP for your retail.

- Then plot out in detail the Retailer Marketing strategies diagram by Using specific merchandise/examples in your retail. Remember the STP needs Facts and figures to support.

- Please create one page ppt. slide to be due next Tuesday Feb 8th. Please design the one page by using photos, graphs, charts, visuals to make one page interesting ka.

FIGURE | 13.1
Retailer Marketing Strategy

As with other types of marketers, the name of the game for retailers is to find the customer-driven marketing strategy and mix that will let them create value for customers and capture value in return. Remember Trader Joe's "cheap gourmet" value proposition? And Olive Garden's "When you're here, you're family"?


That's All Folks