

MK 322 Retail Management

Chapter 4: Consumer Buying Behavior Part I

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How Covid-19 is changing our shopping habits | CNBC Reports

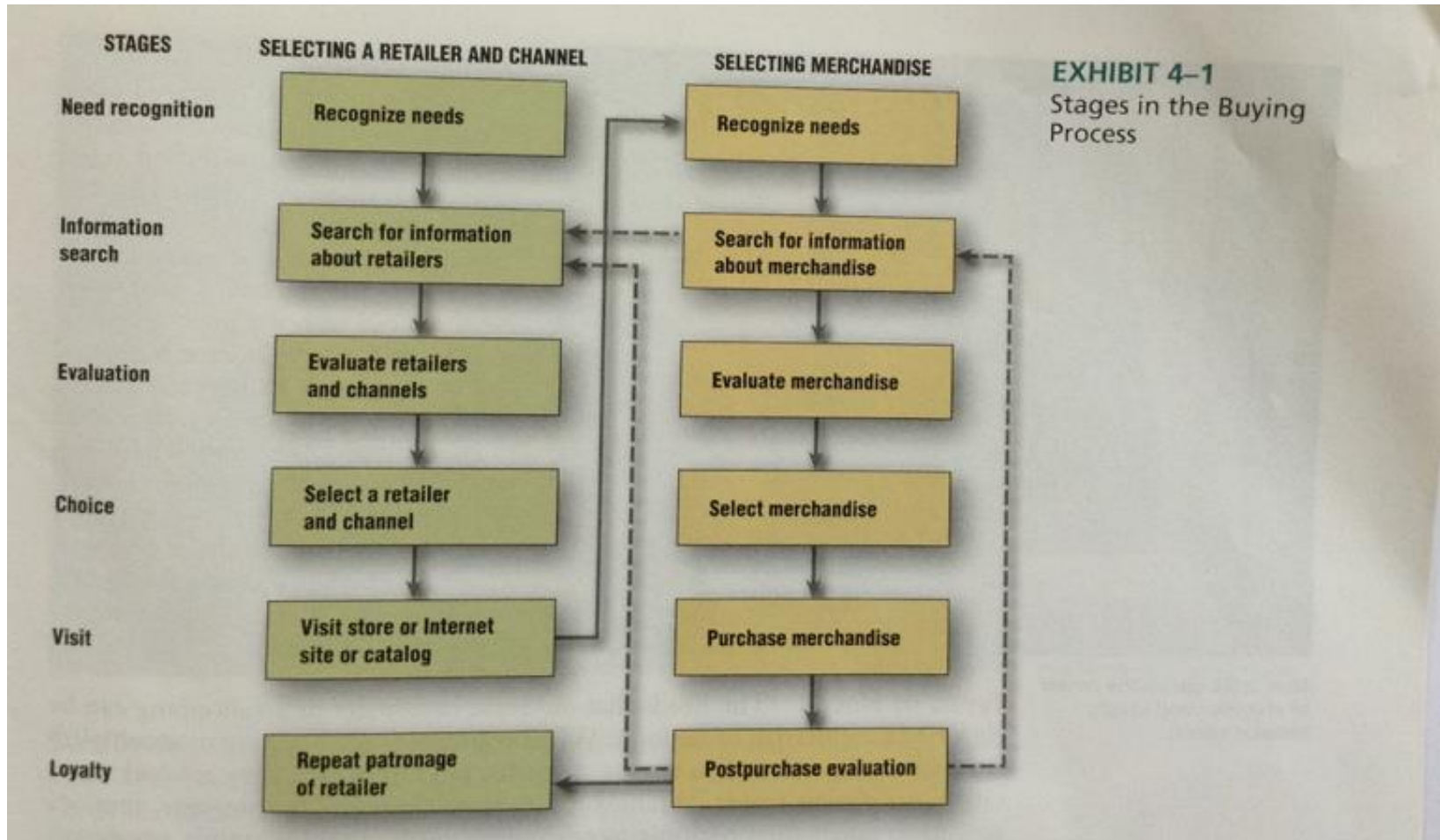
CNBC International · 66K views · 5 months ago



The Buying Process



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 © Touchstone Pictures and Jerry Bruckheimer, Inc. All Rights Reserved.

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.

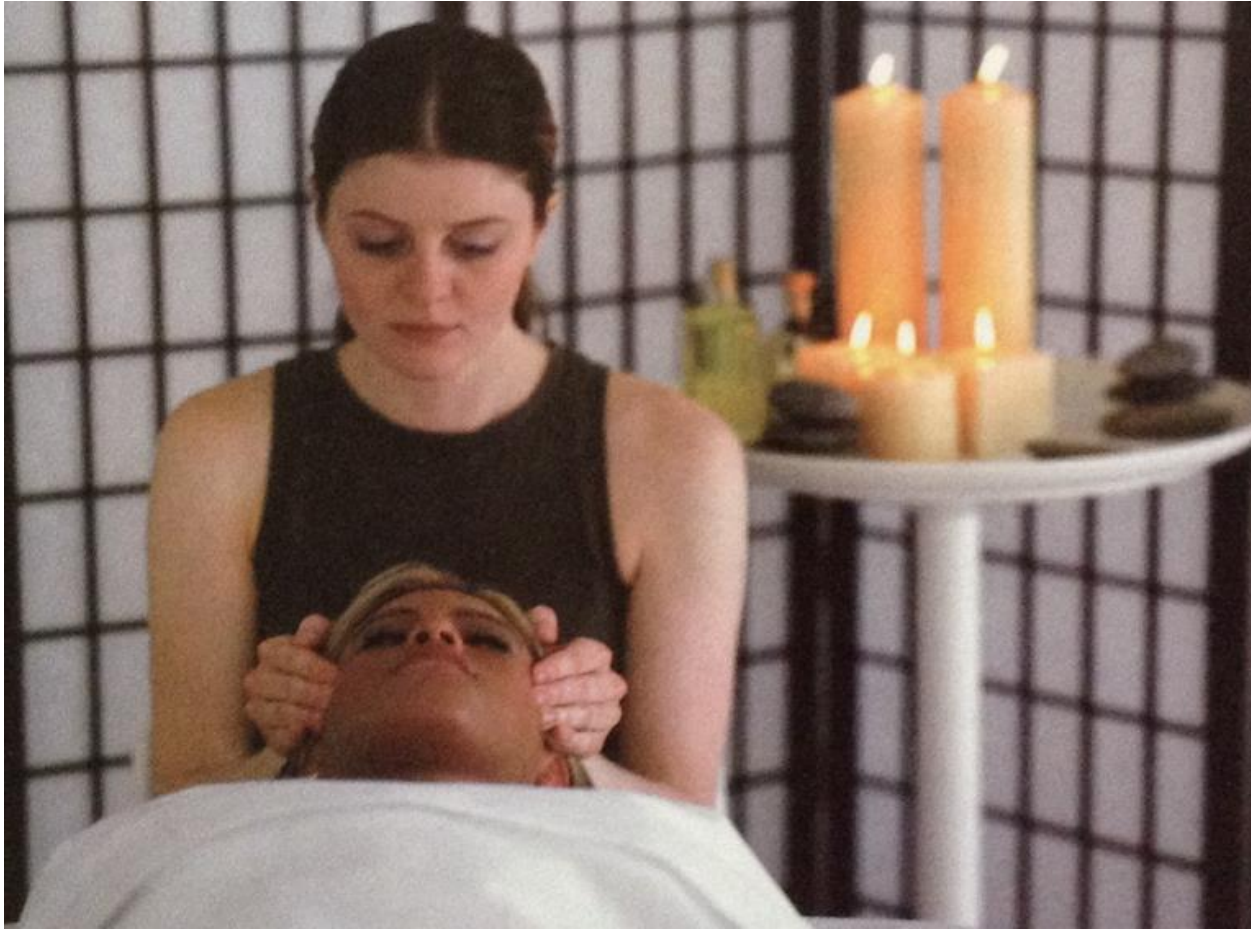
Hedonic needs: when consumers go shopping for pleasure.. Their needs for entertaining, emotional, and recreational experiences.

Need Recognition- Types of Needs

The image shows a screenshot of a fashion blog post from nubry.com. The page features a header with the brand name 'nubry' and the tagline 'life through style.' Below the header, there is a main article titled 'How To Wear A Metallic Skirt During Spring' with a date of 'March 27, 2013'. The article text discusses the trend of metallic skirts and provides examples of celebrities wearing them, such as Sarah Harding, Hilary Duff, and Wendy's Lookbook. A large photograph of a woman in a metallic skirt is featured in the center. To the right of the main content, there are several sidebar elements: a 'SOCIALIZE WITH US' section with social media icons for Facebook, Pinterest, Twitter, and Instagram; a 'GET OUR NEWSLETTER' section with an email input field and a 'Sign up!' button; and a 'LIKE OUR EDITORS' section with a 'nubry' logo and a 'Like' button showing 8,348 likes. Below the sidebar, there are two smaller images: one showing two women in a 'Giveaway' and another showing a woman's face with the 'DermOrganic' logo.

Consumers are increasingly turning to fashionista blogs to read reviews and pick up the latest fashion tips.

Need Recognition-Types of Needs



Spas make guests the center of attention and satisfy hedonic needs

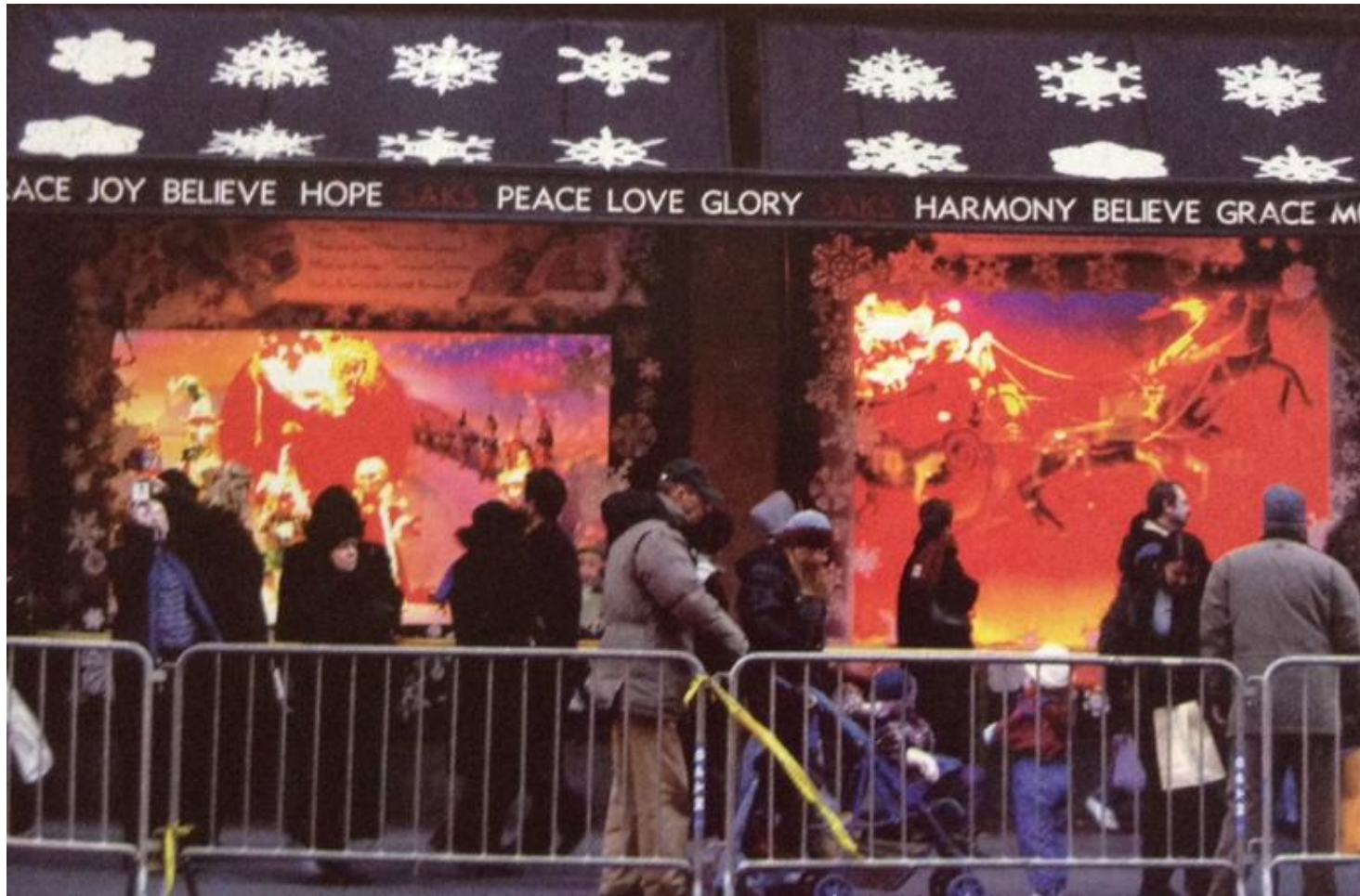
Need Recognition-Types of needs

- 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"

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 goggles 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...

Need Recognition- Stimulating Need Recognition



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

Information Search- Reducing Information Search

- **Walmart, Tesco Lotus uses everyday low pricing(EDLP) strategy**
- 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



Information Search- Internet, Information Search, and Price Competition

- What Apps in Thailand?



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

The Multiattribute Model: Beliefs about Performance

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	30,000	40,000
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
Characteristics of Food Retailers

*10 = excellent, 1 = poor.

The Multiattribute Model: Importance Weights and Evaluating Retailers

EXHIBIT 4-3
Evaluation of Retailers

Characteristic	IMPORTANCE WEIGHTS*		PERFORMANCE BELIEFS		
	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.

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



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

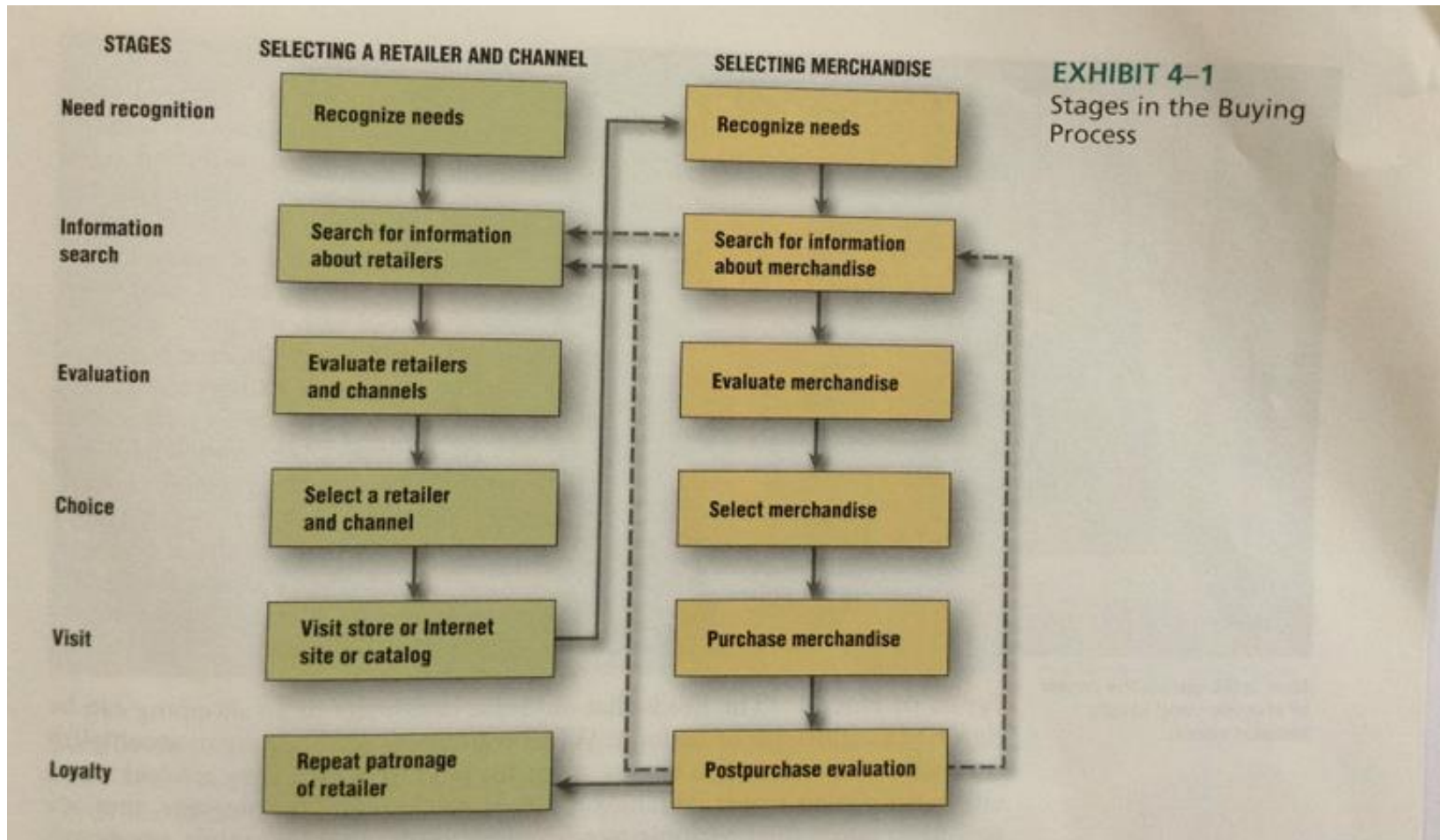
Retailers use various tactics to increase chances that customers will convert their positive evaluations into purchases

- 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





That's All Folks