

Customer Buying Behavior

CHAPTER 04

Learning Objectives

- Describe the process by which consumers make retail purchases and patronage decisions.
- Recognize the various types of purchasing processes.
- Summarize the economic and social influences on consumer purchasing decisions.
- Determine why and how retailers segment their customer bases.

Buying Process

- Eva Lewins, a student at the University of California, is beginning to interview for jobs.
- For the first interviews on campus, Maria planned to wear the blue suit her parents bought her two years ago.
- However, upon examination of her suit, she notices that it is not stylish and is showing signs of wear.
- She desires to make a favorable first impression during her interviews, and thus purchases a new suit.

Illustration (Continued)

- Eva surfs the Internet for tips on dressing for interviews (Hello Fashion) and checks what her friends like on Facebook, as well as what they have pinned on Pinterest.
- She usually shops at Banana Republic, and American Eagle Outfitter, but neither sells business suits. Before going to the mall, she issues a status update on her Facebook page, announcing her intentions to go to the mall and inviting friends to join her.
- Jenny responds to her Facebook posting, and they decide to meet at the mall entrance. Betsy also responds, but she has a cold and wants to rest.

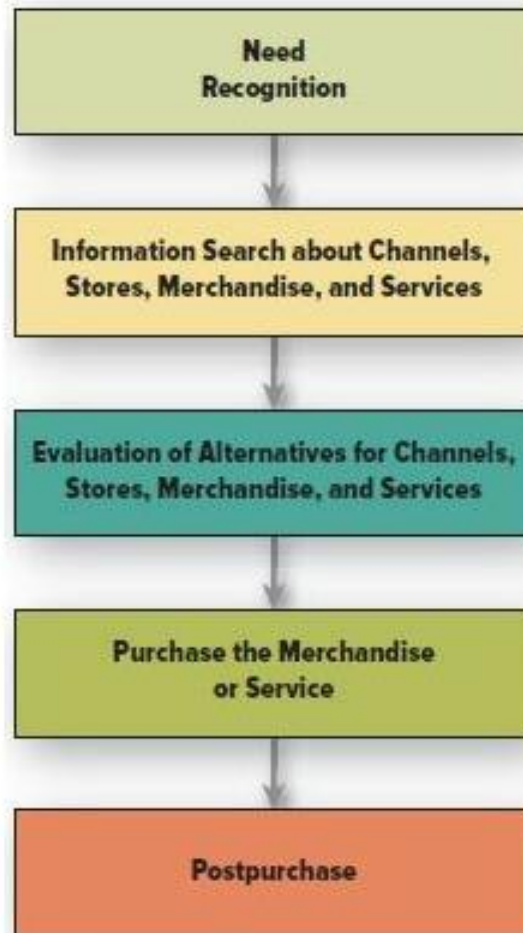
Illustration (Continued)

- Eva and Jenny first go to Macy's and are approached by a salesperson in the career women's department.
- Eva takes photos of the suits with her mobile phone and uploads them on Instagram. Betsy likes all three, so Eva tries them on.

Illustration (Continued)

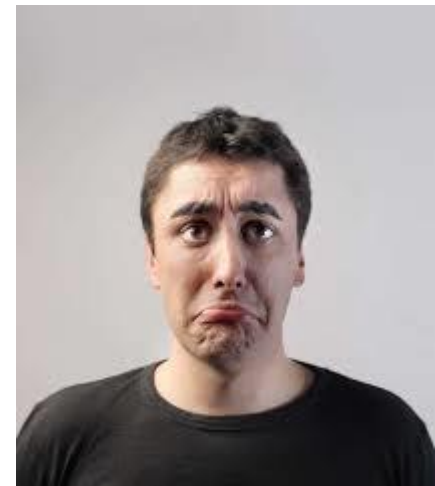
- but after sending Betsy some more photos, she, Jenny, and the salesperson decide the second suit is the most attractive and appropriate for interviewing
- Eva decides to buy the suit after another customer in the store, seeing her wearing the suit, tells her she looks very professional.
- As Jenny and Eva are walking toward the door, they pass the shoe department. Jenny tells Eva
- Then Jenny tells her that she thinks the shoes are overpriced. Eva scans the UPC code for the shoes using her mobile phone's QRReader app and finds that Zappos is selling the shoes for \$20 less and with no sales tax. So she orders the shoes from Zappos for delivery to her apartment the next day.

Stages in the Buying Process



Need Recognition

- **Unsatisfied Needs** –arises when customers' desired level of satisfaction differs from their present level of satisfaction



Types of Need

- **Utilitarian Needs** –consumers go shopping for pleasure, they are seeking to satisfy their hedonic needs
- **Hedonic Needs** - their needs for entertaining, emotional, and recreational experiences.



HEDONIC CONSUMPTION
PLEASURE & SENSORY

V.S.



UTILITARIAN CONSUMPTION
NEEDS & PRACTICAL

Types of Need

- Stimulation
 - Ex: Background music, visual displays, scents
- Satisfy need for power and status
 - Ex: Canyon Ranch – upscale health resorts
- Adventure
 - Treasure hunting for bargains



Conflicting Needs

- Most customers have multiple needs
- customers make trade-offs between conflicting needs
- Cross-shopping



Conflicting Needs

- Ex: Eva's hedonic needs (wearing a DKNY suit to enhance self-image) conflict with her budget, and her utilitarian need to get a job.
- Customers make trade-offs between their conflicting needs
- [Cross-shopping](#)

Stimulating Need Recognition

- first recognize unsatisfied needs
- retailers use a variety of approaches to stimulate unmet needs.
- can stimulate need recognition by showing products that celebrities or television characters have worn



Information Search

- they typically seek information about retailers, channels, or products to help them satisfy that need
- Factors Affecting Amount of Information Search
 - Product Characteristics
 - [Complexity](#)
 - Cost
 - Customer Characteristics
 - Past experience
 - Perceived risk
 - Time pressure
 - Market Characteristics
 - Number of alternative brands

Sources of Information

- Internal
 - Past experiences
 - Memory
- External
 - Consumer reports
 - Advertising
 - Word of mouth



Amount of Information Searched

- searching versus the cost of searching
- Technology
- Amount of information search
 - characteristics of the individual customer
 - aspects of the market and buying situation in which the purchase is made
- Two marketplace and situational factors affecting information search
 - number of competing brands and retail
 - time pressure under which the purchase must be made



Reducing Information Searched

- Limit the customer's search
- Conversion rate
- Everyday low pricing strategy



How Can Retailers Limit the Information Search?

- Information from sales associates
- Provide an assortment of services
- Provide good assortments
- [Everyday low pricing](#)
- Credit



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Internet, Information Search, and Price Competition

- Profound impact on consumers' ability to gather external information
- Number of stores visited is no longer limited by physical distance
- Information about the quality and performance at a low search cost
- Retailers using an Internet channel can differentiate their offerings by providing better services and information

Evaluation of Alternatives: The Multi attribute Model

- Multiattribute attitude model:
 - is based on the notion that customers see a retailer, a product, or a channel as a collection of attributes or characteristics
 - The model is designed to predict a customer's evaluation of a product, retailer, or channel on the basis of
 - Its performance on relevant attributes
 - the importance of those attributes to the customer

Mutliattribute Attitude 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

*10 = excellent, 1 = poor.

Mutliattribute Attitude Model: Importance Weights

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.

Mutliattribute Attitude Model: Evaluating Retailers

- sum of the performance beliefs multiplied by the importance weights
- provides useful information for designing a retail offering
- used to describe how a customer evaluates and selects which channel to use

Mutliattribute Attitude Model: Implications for Retailers

- improve customers' experience
- encourage them to shop at the retailer more frequently
- indicates what information customers use
- it suggests tactics that retailers

Mutliattribute Attitude Model: Getting into the Consideration Set

- Consideration set
- increase the likelihood
- three methods to increase the chances that customers will select it for a visit:
 - Increase beliefs about the store's performance.
 - Change customers' importance weights.
 - Add a new benefit.

Mutliattribute Attitude Model: Changing Performance Beliefs

- altering customers' beliefs
- increase its overall rating
- focus on improving their performance

Mutliattribute Attitude Model: Changing Importance Weights

- approach to influencing store choice
- increase the importance customers place

Mutliattribute Attitude Model: Adding a New Benefit

- try to add a new benefit
- Fair trade

Purchasing Merchandise or Services

Customers do not always purchase a brand with the highest overall evaluation.

- The high-rated item may not be available in the store.
- How can a retailer increase the chances that customers will convert their merchandise evaluations into purchases?

Postpurchase Evaluation

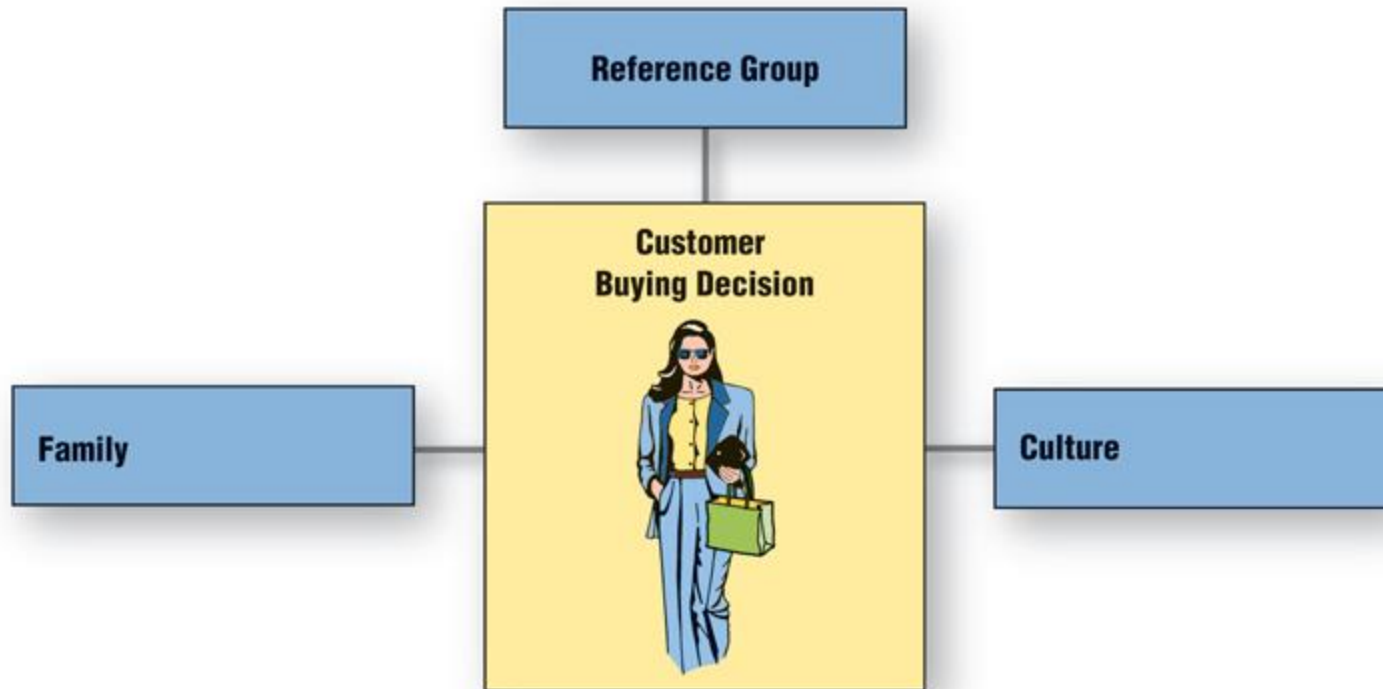
- Satisfaction
 - A post-consumption evaluation of how well a store or product meets or exceeds customer expectations
- Becomes part of the customer's internal information that affects future store and product decisions
- Builds store and brand loyalty

Types of Buying Decisions

- Extended Problem Solving
 - Financial Risk
 - Physical Risks
 - Social Risk
- Limited Problem Solving
 - Impulse buying
 - Unplanned purchasing
- Habitual Decision Making
 - Brand Loyalty
 - Retailer Loyalty



Social Factors Influencing the Buying Decision Process



The Economy

- state of the national and global economy



Family Influences Buying Decisions

- Purchases are for entire family to use
- Whole family participates in decision making process
- Retailers work to satisfy needs of all family members



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Kids in the U.S. spend over \$200 billion on personal items. They directly influence the purchase of another \$300 billion worth of items such as food and clothing.

Culture

- Culture is the meaning, beliefs, morals and values shared by most members of a society
 - Western culture: individualism
 - Eastern culture: collectivism
 - Subcultures are distinctive groups of people within a culture



Market Segmentation

- Retail Market Segment - is a group of customers who are attracted to the same retail mix because they have similar needs
 - Millennials



Criteria for Evaluating Market Segments

Actionable

- Retailer should know what to do to satisfy needs for the customers are in the segment



Identifiable

- Retailer is able to determine which customers are in the segment

Criteria for Evaluating Market Segments

Substantial

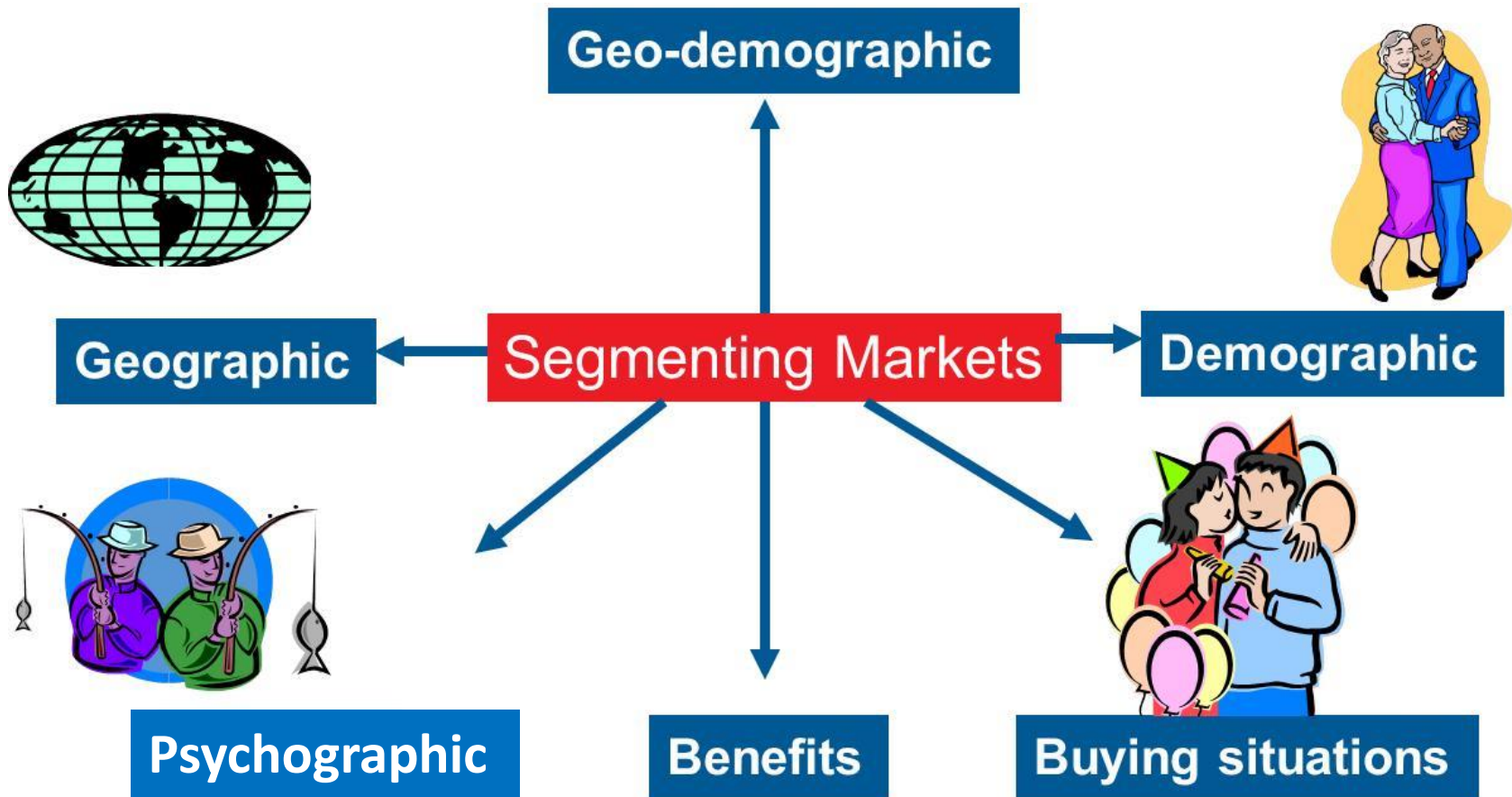
- Market segment must be large enough or its buying power significant to generate sufficient profits



Reachable

- Retailer can target promotions and other elements of the retail mix to customers in the segment

Approaches for Segmenting Markets



Composite Segmentation Approaches

- **Geographic** segmentation groups customers according to where they live.
- **Demographic** segmentation groups consumers on the basis of easily measured, objective characteristics such as age, gender, income, and education.

Approaches for Segmenting Markets

- **Geodemographic** segmentation uses both geographic and demographic characteristics to classify consumers.
- **Lifestyle, or psychographics** , refers to how people live, how they spend their time and money, what activities they pursue, and their attitudes and opinions about the world in which they live.

Approaches for Segmenting Markets

- **Buying situations** can influence customers with the same demographics or lifestyle.
- **Benefit** segmentation groups customers seeking similar benefits.

Keywords

- **complexity** The ease with which consumers can understand and use a new fashion.
- **cross-shopping** A pattern of buying both premium and low-priced merchandise or patronizing expensive, status-oriented retailers and price-oriented retailers.
- **everyday low pricing (EDLP)** A pricing strategy that stresses continuity of retail prices at a level somewhere between the regular nonsale price and the deep-discount sale price of the retailer's competitors.
- **impulse buying** A buying decision made by customers on the spot after seeing the merchandise.
- **information search** The stage in the buying process in which a customer seeks additional information to satisfy a need.
- **lifestyle** Refers to how people live, how they spend their time and money, what activities they pursue, and their attitudes and opinions about the world they live in.
- **multiattribute attitude model** A model of customer decision making based on the notion that customers see a retailer or a product as a collection of attributes or characteristics. The model can also be used for evaluating a retailer, product, or vendor. The model uses a weighted average score based on the importance of various issues and performance on those issues.
- **postpurchase evaluation** The evaluation of merchandise or services after the customer has purchased and consumed them.
- **satisfaction** A post-consumption evaluation of the degree to which a store or product meets or exceeds customer expectations.
- **store advocates** Customers who like a store so much that they actively share their positive experiences with friends and family.

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