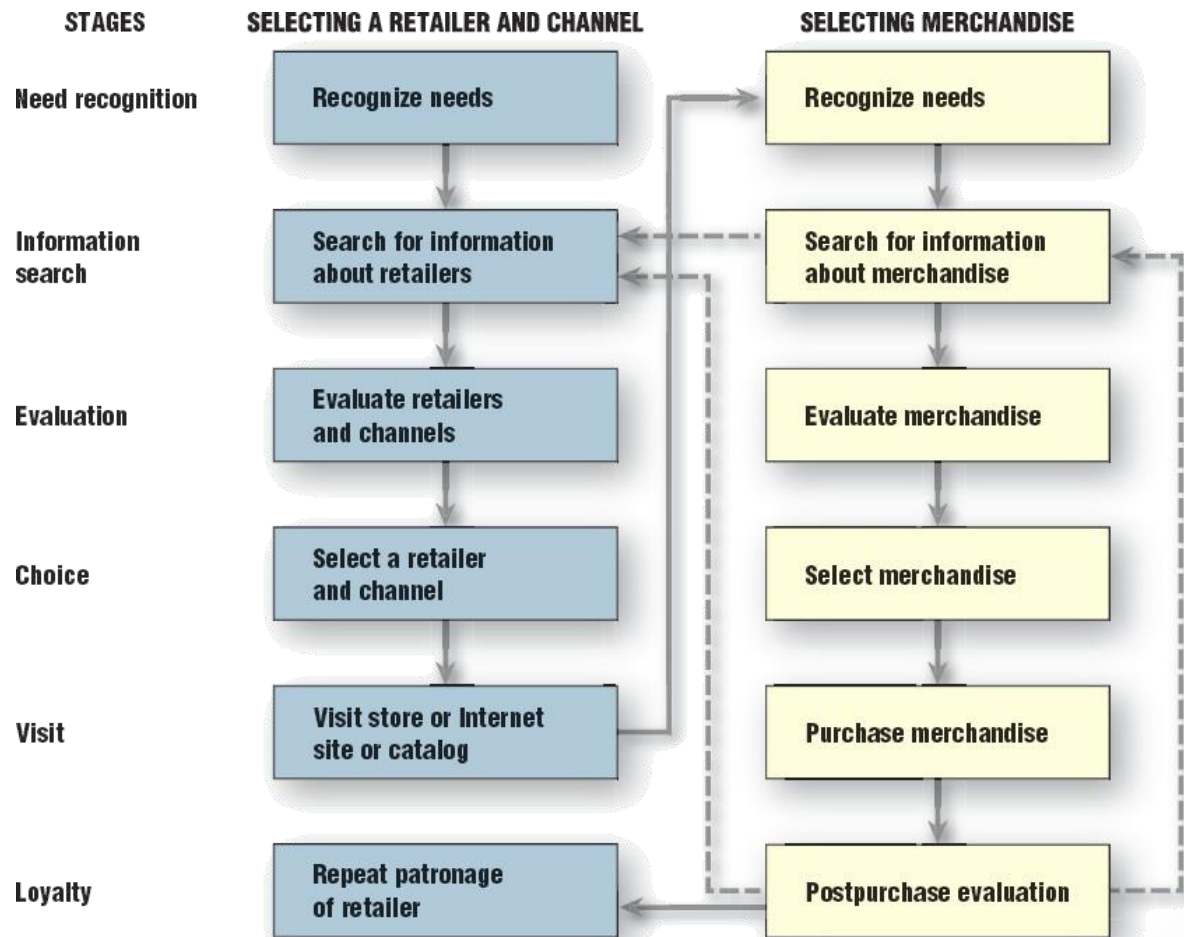


- How do customers decide which retailer to go to and what merchandise to buy?
- What social and personal factors affect customer purchase decisions?
- How can retailers get customers to visit their stores more frequently, and buy more merchandise during each visit?
- Why and how do retailers group customers into market segments?

Stages in the Buying Process



Types of Needs

- **Utilitarian Needs** –satisfied when purchases accomplish a specific task. Shopping needs to be easy, and effortless like Sam's or a grocery store.
- **Hedonic needs** – satisfied when purchases accomplish a need for entertainment, emotional, and recreational experience as in department stores or specialty stores.



Hedonic Needs that Retailers can Satisfy

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



- Amount of Information Search Depends on the value from searching versus the cost of searching
- 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



Digital Vision / Getty Images



© Dynamic Graphics/Picture Quest

How Can Retailers Limit the Information Search?

- Information from sales associates
- Provide an assortment of services
- Provide good assortments
- Everyday low pricing
- Credit



Royalty-Free/CORBIS

- Multiattribute attitude model:
 - Customers see a retailer, product, or service as a collection of attributes or characteristics
 - Predict a customer's evaluation of a retailer, product, or service based on
 - Its performance on relevant attributes
 - the importance of those attributes to the customer

Getting into the Consideration Set

- **Consideration set:** the set of alternatives the customer evaluates when making a selection
- Retailers develop programs influencing **top-of-mind awareness**
 - Get exposure on search engines like Google
 - Try to be the top of the page
 - More stores in the same area (e.g., Starbucks)



Methods for increasing the chance of store visit after getting into the consideration set

- Increase Performance Beliefs of Your Store
- Decrease Performance Beliefs About Competitor
- Increase Importance Weight of Attributes on which You Have an Advantage
- Add a New Benefit on which You Excel

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?

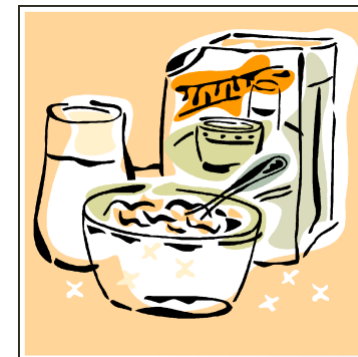


The McGraw-Hill Companies, Inc./Jill Braten, photographer

- 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
 - High financial or Social Risk
- Limited Problem Solving
 - Some Prior Buying Experience
- Habitual Decision Making
 - Store Brand, Loyalty



Consumers devote time and effort analyzing alternatives

- Financial risks – purchasing expensive products or services
- Physical risks – purchases that will affect consumer's health and safety
- Social risks – consumers will believe product will affect how others view them



What do Retailers Need to do for Customers Engaged in Extended Problem Solving

- Provide a Lot of Information
 - Use Salespeople rather than advertising to
 - Communicate with customers
- Reduce the Risks
 - Offer Guarantees
 - Return Privileges



© Royalty-Free/CORBIS

Purchase decisions process involving moderate amount of effort and time

- Customers engage in this when they have had prior experience with products or services
- Customers rely more upon personal knowledge
- Majority of customer decisions involve limited problem solving



(c) Brand X Pictures/PunchStock

Engaged in Limited Problem Solving?

- It depends...
- If the Customer Is Coming to You, Provide a Positive Experience and Create Loyalty
 - Make Sure Customer is Satisfied
 - Provide Good Service, Assortments, value
 - Offer Rewards to Convert to Loyal Customer
- If the Customer Goes to Your Competitor's Store, Change Behavior
 - Offer More Convenient Locations, Better Service and Assortments

Encouraging Impulse Buying

- Impulse buying: one common type of limited problem solving
- Influence by using prominent point-of-purchase (POP) or point-of-sale (POS)
 - Have Salespeople Suggest Add-ons
 - Have Complementary Merchandise Displayed Near Product of Interest
 - Use Signage in Aisle or Special Displays
 - Put Merchandise Where Customers Are Waiting



PhotoLink/Getty Images

Habitual Problem Solving

Purchase decision process involving little or no conscious effort

- For purchases that aren't important to the consumer
- For merchandise consumers have purchased in the past
- For consumers loyal to brands or a store



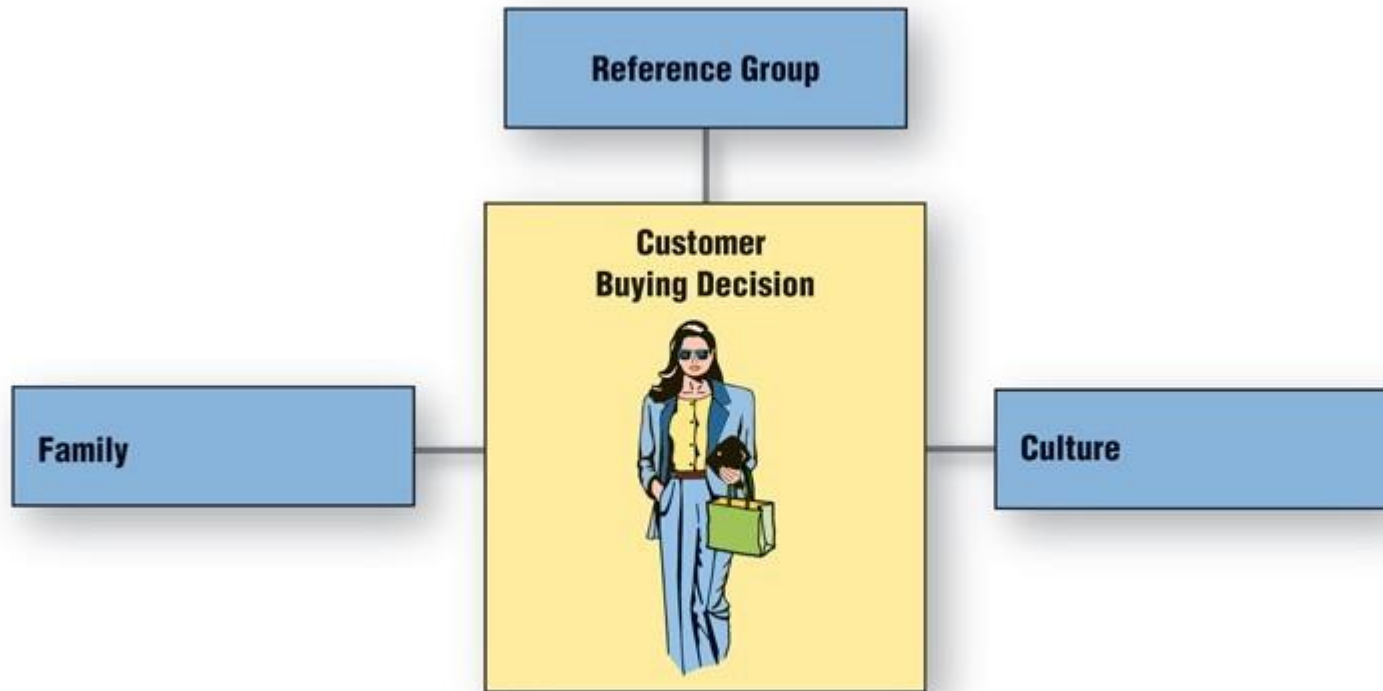
Engage in Habitual Decision Making

- It depends...
- If the customer habitually comes to you, reinforce behavior
 - Make sure merchandise in stock
 - Provide good service
 - Offer rewards to loyal customer
- If the customer goes to your competitor's store, break the habit
 - Offer special promotions

- **Brand Loyalty**
 - Committed to a Specific Brand
 - Reluctant to Switch to a Different Brand
 - May Switch Retailers to Buy Brand
- **Store Loyalty**
 - Committed to a Specific Retailer
 - Reluctant to Switch Retailers



Social Factors Influencing the Buying Decision Process



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



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.

Reference Groups

- A reference group is one or more people whom a person uses as a basis of comparison for beliefs, feelings and behaviors.
- Reference groups affect buying decisions by:
 - Offering information
 - Providing rewards for specific purchasing behaviors
 - Enhancing a consumer's self-image



(c) image100/PunchStock



- 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

Approaches for Segmenting Markets

- **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.

- **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.