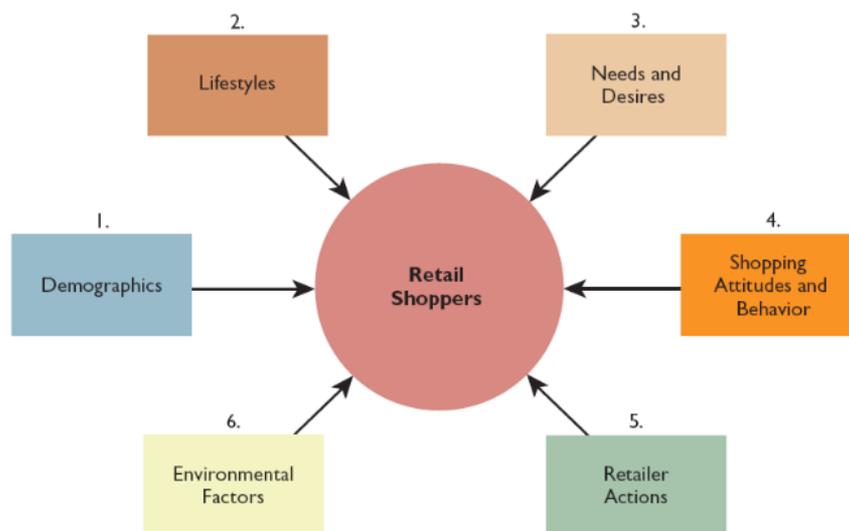


CHAPTER 7: IDENTIFYING AND UNDERSTANDING CONSUMERS

- The success of a retail strategy depends on how well a firm identifies and understands its customers and how well it forms a strategy mix to appeal to them
- This entails identifying consumer characteristics, needs and attitudes; recognising how people make decisions; and then devising the proper target market plan



CONSUMER DEMOGRAPHICS

- **Demographics**: objective, quantifiable, easily identifiable, and measurable population data
- Both groups of consumers and individual consumers can be identified by such demographics such as:
 - Market size: How many people are in the potential target market?
 - Gender: more male or female, or equal?
 - Age
 - Population growth rate
 - Life expectancy
 - Literacy
 - Language spoken
 - Household size
 - Marital and family status
 - Income: lower, middle, upper
 - Mobility
 - Place of residence
 - Occupation: professionals or office workers? Etc
 - Education: college educated?
 - Racial background

CONSUMER LIFESTYLES

- **Lifestyles**: ways in which individual consumers and families (households) live and spend time and money
- Based on social and psychological factors and are influenced by demographics

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

<p>Social</p>	<ul style="list-style-type: none"> • Culture <ul style="list-style-type: none"> - A distinctive heritage shared by a group of people that passes on a series of beliefs, norms and customs • Social class <ul style="list-style-type: none"> - Informal ranking of people based on income, occupation, education & other factors • Reference group <ul style="list-style-type: none"> - Aspirational – person doesn't belong but wishes to - Membership – person does belong - Dissociative – person doesn't want to belong • Family life cycle <ul style="list-style-type: none"> - How a traditional family moves from bachelorhood to children to solitary retirement • Time utilisation <ul style="list-style-type: none"> - The activities in which a person is involved and the amount of time allocated to them - If busy – convenience important • Household lifecycle 	<ul style="list-style-type: none"> • What values, norms, and customs are most important to the potential target market? • Are potential consumers lower, middle, or upper class? Are they socially mobile? • To whom do people look for purchasing advice? • In what stages of the cycle are the bulk of potential customers? • How do people spend time? How do they feel about their shopping time?
<p>Psychological</p>	<ul style="list-style-type: none"> • Personality <ul style="list-style-type: none"> - Sum total of individual's traits, which make them unique - Innovativeness, self-confidence, sociability • Class consciousness <ul style="list-style-type: none"> - Extent to which a person desires and pursues social status • Attitudes <ul style="list-style-type: none"> - Pos/neutral/neg feelings a person has about different topics • Perceived risk <ul style="list-style-type: none"> - Level of risk consumers believes exist regarding the purchase of a specific good/service - Functional – will it perform well? 	<ul style="list-style-type: none"> • Do potential customers have identifiable personality traits? • Are potential consumer's status conscious? • How does the potential target market feel about the retailer and its offerings in terms of specific

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

	<ul style="list-style-type: none"> - Physical – can it hurt me? - Financial – can I afford it? - Social – what will my peers think? - Psychological – am I doing the right thing? - Time – how much shopping effort is needed? <div data-bbox="395 443 1050 896" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center; background-color: #4682b4; color: white; padding: 2px;">Perceived Risk and Consumers</p> </div> <ul style="list-style-type: none"> • Importance of a purchase <ul style="list-style-type: none"> - Affects the amount of time spent on making a decision - Also relates to risk 	<p>strategy components?</p> <ul style="list-style-type: none"> • Do potential customers feel risk in connection with the retailer? • How important are the goods/services offered to potential customers?
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Retailing implications of consumer demographics and lifestyles

- Gender roles
 - Willingness to switch brands is a sentiment most aligned with female consumers
 - Store choice also affected – Aus women shop around for the best price – almost twice as much as men
 - Huge amount of working women
 - Tend to be more self confident, concerned with convenience, individualistic
 - More knowledgeable
 - More interested in leisure activities
 - Men now take more care of their children, shop for food, do laundry
- Generation differences
 - Gen Y: spending has remained much higher
 - Baby boomers: fear the slowdown, investing heavily and taking a risk aversion attitude
 - Gen Z: thrifty, worry about money, have strong convictions about paying bills on time, don't like to owe money, put quality of life ahead of materialistic goals
- Consumer sophistication and confidence

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

- Many shoppers now knowledgeable
- More aware of trends in tastes, styles, goods and services
- Poverty of time
 - Increase in working women, desire for personal fulfilment, daily job commute and need for people to have second jobs may result in consumers feeling time pressured
 - Firms can be open for longer hours, reduce checkout time, add on floor sales personnel, websites
 - Ready meals
- Component lifestyles
 - Shopping is less predictable and more individualistic

Other consumer trends

- Trading up – paying someone else to do it
- Do it for me - outsourcing
- Getting older
- Being younger
- Convenience – location, delivery of product (click and collect, drive thru)
- Nostalgia – old time values, feeling of extra service
- Sense of community
- Global village – consumers want to feel like they belong

CONSUMER NEEDS AND DESIRES

- **Needs:** a person's basic shopping requirements consistent with their present demographics and lifestyle
- **Desires:** discretionary shopping goals that have an impact on attitudes and behaviours
- When a retail strategy aims to satisfy consumer needs and desires, it appeals to consumer **motives**, the reasons for their behaviour. Some questions to resolve:
 - How far will consumers travel to get to the retailer?
 - How important is convenience?
 - What level of customer service is preferred?
 - How important is price?
 - What retailer actions are necessary to reduce perceived risk?
 - Do different market segments have special needs, if so, what are they?
 - In home shopping
 - Buying things not in a shop – e.g. through catalogues
 - Shopping often discretionary, not necessary
 - Convenience in ordering an item
 - Active, affluent, well-educated
 - Self-confident, younger, adventuresome
 - Time scarcity isn't a motivator
 - Online shopping
 - Shoppers are well educated and have above average incomes
 - Use of web for decision making process as well as buying process
 - Convenience important
 - Time scarcity is a motivator
 - Outshopping
 - Out of hometown shopping

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

- Important for both local and surrounding retailers
- Former want to minimise this behaviour
- Latter want to maximise it
- Outshoppers often young, members of a large family, enjoy fine foods, like to travel, are active
- Income and education vary

The value consumer

Saving vs/ spending patterns

- Financial caution may result in less spending and more allocated to saving, leading to weaker trading conditions and growth for retailers
- Very value orientated – use a lot of vouchers
- Costco
- Seeing changes in eating out habits, home hooking – the new habits are there to stay

- Price comparison shopping
 - Price still a POD, and consumers search for the best price
 - Driven by promotional/advertising deals, and newly established price comparison websites

- Recycled fashion
 - Consumers have embraced clothes swaps and second hand clothing outlets – increased awareness of environmental and ethical concerns as well as the need to cut budgets

Mass customisation

- Consumers are now coming to expect the ability to customer a wider range of product purchases
- Two factors fuel this trend:
 - Consumers desire for things that are different and distinct, even if higher cost
 - Digital technology, which was lowered the cost of adaption and customisation foe retailers

Retail consumer is increasingly mobile

Social mobility	<ul style="list-style-type: none"> • Not only an increased standard of living, but an increasing desire to demonstrate it publicly
Physically	<ul style="list-style-type: none"> • Driven through a growth of low cost air travel, meaning that people are experiencing more of the world than ever before
Virtual	<ul style="list-style-type: none"> • Growing importance of mobile technology in peoples' lives, bringing them closer together, regardless of physical distance
Cultural	<ul style="list-style-type: none"> • Consumers being more open to foreign ideas

Sustainability

- Growing in importance
- e.g. catalogues online now

Social networking and community

- Customer reviews can make or break retailers/brands

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

- Education of product benefits
- Opportunity to understand needs, engage and service customers

SHOPPING ATTITUDES AND BEHAVIOUR

Attitude toward shopping

- Shopping environment:
 - In general, people don't enjoy shopping as much as the past
 - Customers derive shopping enjoyment from an assessment of accessibility, atmosphere, environment and personnel
 - If a shopping centre facilitates fast, efficient shopping – appeal to men
- Attitudes toward shopping time
 - Retail shopping is often viewed as a chore
 - Retailers should pay equal attention to store atmosphere (lights, music) and efficiency of store location, parking, sales personnel
- Shifting feelings about retailing
 - Has been a major change in attitudes toward spending, value and shopping with established retailers
- Why people don't buy on a shopping trip
 - Can't find an appealing style
 - Can't find the right size/item out of stock
 - Nothing fits
 - No sales help
 - Can't get in/out of store easily
 - Prices too high
 - In store experience is stressful
 - Can't find good value
 - Seasonality is off
- Attitudes by market segment
- Attitudes toward private brands
 - Many consumers believe private brands are as good as or of better quality than manufacturer brands

Task vs. recreational shoppers

- **Task shopper** – time poor, convenience focus – may respond to education (finds recreation time wasting and annoying), wants to get in and out of the experience
- **Recreation shopper** – will respond to education and entertainment
- **Shoppertainment** – any format of retail entertainment at end customers to enter the store and to spend more time browsing
- **Edutainment** – creates a store environment that is both entertainment and educational
 - Differentiates a store from the many competitors in the market, creating a reason to visit over other alternatives
 - Once consumers are in store, it provides a reason to dwell longer

Where people shop

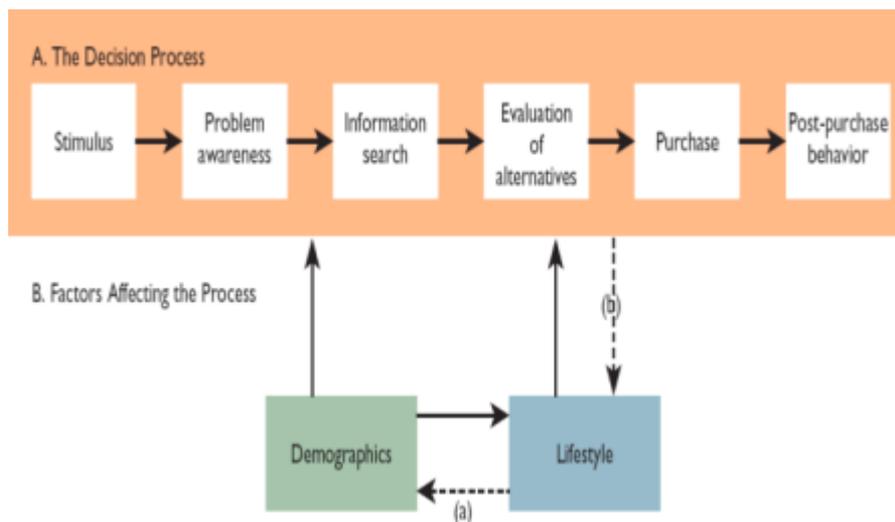
- Many consumers do **cross shopping** – whereby they:
 1. Shop for a product category at more than one retail format during the year

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

- Occurs b/c consumers feel comfortable shopping at different formats during the year
- Goals may vary for occasion
- 2. Visit multiple retailers on one shopping trip
 - Saves time
- Which is why shopping centres appeal

The consumer decision process

- Retailer should know how customers make decisions
- This requires familiarity with consumer behaviour – process by which people determine whether, what, when, where, how, from whom, and how often to purchase goods and services
 - What: consumer considers: durability, distinctiveness, value, ease of use
 - Where: location, assortment, credit availability, sales help, hours
- Such behaviour is influenced by a person’s background and traits
- Grasped from 2 different perspectives:
 1. What good/service the consumer is thinking about buying
 2. Where the consumer is going to purchase that item
- Consumer decision process has 2 parts:



1. Process itself

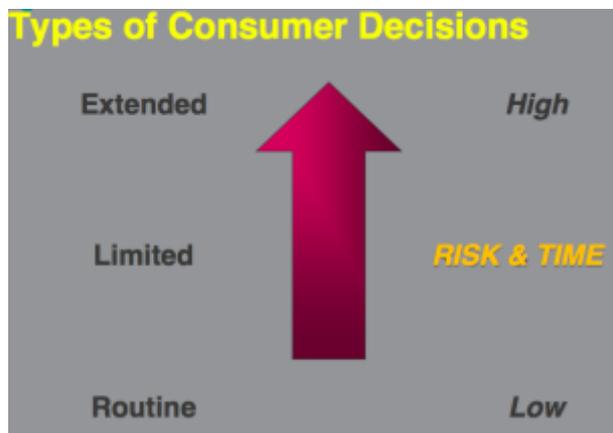
Stimulus	<ul style="list-style-type: none"> • A cue or drive meant to motivate or arouse a person to act • When a person talks with friends and others, a social cue is received • Commercial cue comes from a retailer – ads, sales pitches • If a person is not sufficiently aroused, stimulus ignored
Problem awareness	<ul style="list-style-type: none"> • Consumer recognises that the good or service under consideration may solve a problem of shortage or unfulfilled desire
Info search	<ul style="list-style-type: none"> • Has 2 parts

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

	<ol style="list-style-type: none"> Determining the alternatives that will solve the problem at hand Ascertaining the characteristics of each alternative
Evaluation of alternatives	<ul style="list-style-type: none"> If 2 or more options seem attractive, the person determines criteria to evaluate and their importance Rank alternatives from best to worst
Purchase	<ul style="list-style-type: none"> Exchange of money or promise to pay for the ownership or use of a good or service Important decisions still made in this step: <ol style="list-style-type: none"> Place of purchase – store or non store based Purchase terms – price and method of payment Availability – stock on hand and delivery
Post purchase behaviour	<ul style="list-style-type: none"> Falls into 2 categories: <ol style="list-style-type: none"> Further purchases Re-evaluation Cognitive dissonance – doubt that the correct decision has been made How to overcome it: <ul style="list-style-type: none"> After care Realistic sales presentations and ad campaigns

2. Factors affecting the process

Types of consumer decision making



Extended	<ul style="list-style-type: none"> Occurs when a consumer makes full use of the decision process A lot of time is spent gathering info and evaluating alternatives – both what to buy and where – before a purchase Perceived risk of all kinds is high Car, house
Limited	<ul style="list-style-type: none"> Consumer uses each step in the purchase process but doesn't spend a great deal of time on each of them Less time than extended decision making – person typically has some experience with both the what and where of the purchase Things that have been bought before but not regularly

PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

	<ul style="list-style-type: none"> • Relevant to retailers such as department stores, specialty stores and non store retailers that want to sway behaviour and that carry goods and services that people have bought before
Routine	<ul style="list-style-type: none"> • When the consumer buys out of habit and skips steps in the purchase process • Groceries • Bought regularly • Little risk b/c of consumer experience • Most relevant to retailers such as supermarkets, dry cleaners, fast food outlets • For them, strategic elements are crucial: good location, long hours, clear product displays, product availability • Main task is completing transaction quickly and precisely

Impulse purchases and customer loyalty

- **Impulse purchases** arise when consumers buy products and/or brands they didn't plan on buying before entering a store, reading a mail order catalogue, seeing a TV shopping show, turning to the Web
- 3 kinds of impulse shopping
 1. **Completely unplanned** – before coming into contact with the retailer, the consumer has no intention of making a purchase
 2. **Partially unplanned** – before coming into contact with the retailer, a consumer has decided to make a purchase in a goods/service category but hasn't chosen a brand or model
 3. **Unplanned substitution** - A consumer intends to buy a specific brand of good/service but changes their mind about the brand after coming into contact with the retailer
- In store browsing is positively affected by the amount of time a person has to shop
- Some individuals are more predisposed toward making impulse purchases than others
- Leading reason for impulse buying: take advantage of price
- Impulse shopping influenced by how store is arranged
- When **customer loyalty** exists, a person regularly patronises a particular retailer (store or non store) that they know, like and trust
- Customer loyalty can be placed into 4 categories:
 1. **Inertia loyalty** – these shoppers are loyal b/c it's inconvenient to switch retailers or brands
 2. **Mercenary loyalty** – points and discount based loyalty programs pay customers for their loyalty
 3. **True loyalty** – retailers get to this tier when customers feel compelling reasons to resist offers from competitive offers
 4. **Cult loyalty** – rejecting the brand would be like a customer rejecting their own values
- Product discounts won't change buying behaviour in the long run in shoppers who value personalised service, convenience, or shopping pleasure more

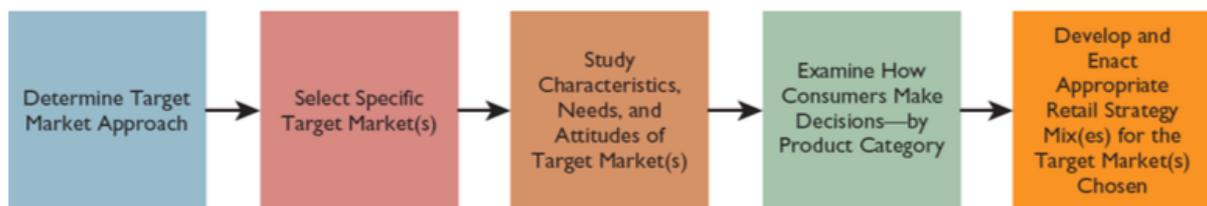
RETAILER ACTIONS

Mass marketing strategies	<ul style="list-style-type: none"> • A firm such as a supermarket or a drugstore sells to a broad spectrum of consumers • Doesn't focus efforts on any one kind of consumer
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PART 3: TARGETING CUSTOMERS AND GATHERING INFORMATION

	<ul style="list-style-type: none">• Same promotions for everyone
Concentrated marketing strategies	<ul style="list-style-type: none">• Retailer tailors its strategy to the needs of one distinct consumer group, such as young working women• Doesn't attempt to satisfy people outside that segment
Differentiated marketing strategies	<ul style="list-style-type: none">• Retailer aims at 2 or more distinct consumer groups• E.g. men and boys• Different strategy mix for each

Devising a target marketing strategy



ENVIRONMENTAL FACTORS AFFECTING CONSUMERS

- State of economy
- Consumer confidence about future
- Country of residence (industrialised vs. developing)
- Rate of inflation (how quickly prices are rising)
- Infrastructure where people shop – such as traffic congestion, crime rate
- Price wars among retailers
- Emergence of new retail formats
- Trend with more people working at home
 - Could spend more food for home
 - Could spend more money on pjs – don't need formal work wear
- Evolving societal values and norms
- Government and community regulations regarding shopping hours, new construction, consumer protection