

17

Purchasing Process and Outlet Selection

Customer satisfaction is affordable and profitable because the customer becomes your salesman forever.

The selection of outlet is given due importance by the customer. The reader must understand:

- *The importance and dimensions of the outlet*
- *Customer characteristics and risks involved*
- *Influences altering brand choice*
- *Store atmospherics*

Purchasing Process and Outlet Selection

■ 17.1 Introduction

As the number of products and brands are increasing in the market, so are the retail outlets, and it becomes very confusing for the customer to choose the retail stores. The selecting of a retail store also involves almost the same process as selecting a brand. A retail outlet relates to a service or a product which caters to the consumer. The retail trade occurs from the stores, but it also occurs from catalogues, direct mail via print media, television and radio. Retailing is also done in weekly markets which are put up in different areas of a city on different days. It is also done from consumer to consumer, by means of various media. It has become very challenging and exciting, both for consumers and marketeers. The consumer may give first preference to the store or the product or, he may give equal importance to both. Sometimes, one prefers a store first, where he can get friendly and logical advice to buy the product, and prefers to buy a product/brand of second priority, if he is assured of proper service and proper guidance, rather than buying a product of his choice on first priority and missing out on other important aspects of purchase.

We shall therefore first study the purchase process. This is a decision-making process and consists of 5 steps as shown in the diagram. The steps have separately been dealt in detail in individual chapters.

Consumer Purchase Process

The decision-making process consists of a series of steps which the consumer undergoes. First of all, the decision is made to solve a problem of any kind. This may be the problem of creating a cool atmosphere in your home.

For this, information search is carried out, to find how the cool atmosphere can be provided, *e.g.* by an air-conditioner or, by a water-cooler. This leads to the evaluation of alternatives and a cost benefit-analysis is made to decide which product and brand image will be suitable, and can take care of the problem suitably and adequately. Thereafter the purchase is made and the product is used by the consumer. The constant use of the product leads to the satisfaction or dissatisfaction of the consumer, which leads to repeat purchases, or to the rejection of the product.

The marketing strategy is successful if consumers can see a need which a company's product can solve and, offers the best solution to the problem. For a successful strategy, the marketer must lay emphasis on the product/brand image in the consumer's mind. Position the product according to the customers' likes and dislikes. The brand which matches the desired

image of a target market sells well. Sales are important and sales are likely to occur if the initial consumer analysis was correct and matches the consumer decision process. Satisfaction of the consumer, after the sales have been effected, is important for repeat purchase. It is more profitable to retain existing customers, rather than looking for new ones. The figure below gives an idea of the above discussion.

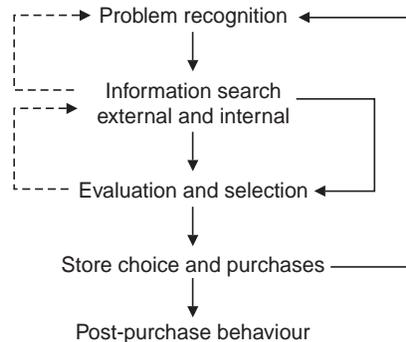


Fig. 17.1 Decision process

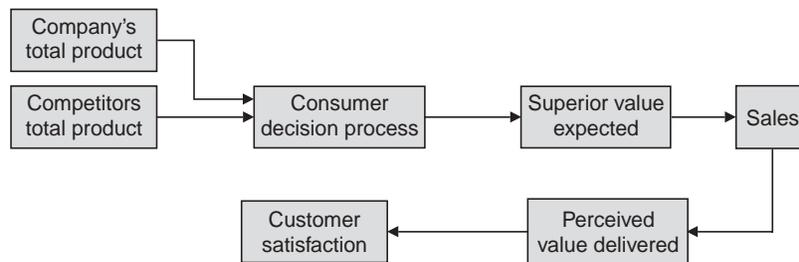


Fig. 17.2 Creating satisfied customers

Source: Adapted from Hawkins, Best and Coney, *Implementation of Marketing Strategy*.

The selection of retail outlet therefore, can be made considering a number of factors. These are: outlet image, advertising, outlet location and size consumer characteristics.

Outlet Image

It is the perception of the consumer about the store. It concerns all the attributes associated with the store. It can be perceived on the following dimensions.

Table 17.1

<i>Dimensions</i>	<i>Components</i>
Merchandise Service	Quality, selection, style, price, place, sales personnel, easy return, credit and delivery.
Clientele	Types of customers frequenting the store.
Physical facilities	Cleanliness, store layout, shopping ease and attractiveness.
Convenience	Location and parking
Promotion	Advertising, P.O.P. displays.
Store atmosphere	Atmospherics, ambience, fun, excitement, comfort, etc.
Institutional	Store reputation
Post-transaction	Satisfaction

The table gives dimensions of store image. Marketeers make extensive use of these dimensions to formulate retail strategies. First they try to project a favourable image; secondly they try to group customers with similar wants, and they try to coordinate the two together, to be effective as a retail store. Some stores which try to be “everything to all customers” fail miserably, as their image is not focussed in a proper manner. The target market must be well defined. There can be junior stores, senior stores, veteran stores, feminine stores, low-priced stores, elite stores, etc. Some stores concentrate on providing service when it is not available easily. They provide service all round the clock, and give a lot of importance to service. All these aspects create image in the minds of the consumer.

Advertising

Retailers use price advertising and attract people to stores. People usually come to buy the advertised items and also end up buying other products. Sales of additional items is known as *spillover sales*. Price is also an important factor for purchasing the product and, at least three decisions in this regard are necessary:

1. How much discount should be given?
2. How long should the discount last?
3. How should the information be given to the target customer?
4. Should preference or comparison price be used?

Consumers perceive price advertisement as reduction in price. Many advertisers project the regular price, as well as the offered price, showing a discount or a substantial savings. Reference price is the price compared with other products on sale. Other factors like product category, brand, initial price level, consumer group and retail outlet is also to be considered in price advertising.

Outlet Location and Size

For the location of the store, convenience is the important factor. The consumers tend to buy from the store that is closest to them. All other things being equal, larger stores are preferred to smaller stores. People will go to smaller stores or nearby stores for minor items, but for purchasing items of high value, or speciality items, people will take the trouble of going to distant places and choose the best.

Location creates an impact on the consumer. Travel time to reach the store is an important factor. If it takes more than 15 minutes to reach the store and if there are traffic jams in the way it is a hinderance or a barrier in the way of shopping for many consumers. The square feet of floor space is also an important factor.

Consumers like ample space to move around and want to see the displays and the products closely. Location of the store may not be so much importance to many as may be other variables like the price, the variety, store quality and cleanliness and the ambience of the store. Stores in attractive surroundings are preferred to those in unattractive surroundings.

Consumer Characteristics

Consumer characteristics must be studied because it gives an idea of the consumer. Different consumers have different reasons and different desires for shopping. Some buy for convenience others for an image, some others for fulfilling obligations, etc. In this connection, perceived risk and shopper orientation are quite important.

Perceived Risk

The risks that are perceived by the consumer are of various types. They are social or economical risk, and these differ from consumer to consumer. Economic risks are concerned with monetary aspects. Whereas, social risk is concerned with the approval of the society. The way one does one's hairstyling, the choice of clothes, jewellery. Some products can have both big social and economic risk. These can be living room furniture or automobiles. Some products may be low in both economic and social risk, *e.g.*, items of low value such as pencils, pens, socks, kitchen appliances, etc. Perceived risk therefore comes under both consumer characteristics and product characteristics. These give a lot of information to retailers for formulating a retailing strategy. Following risks could be involved.

Financial risk	→ paying more.
Social risk	→ does not meet the approval of social group.
Psychological risk	→ loss of self-esteem. Others buying at cheaper rates.
Performance risk	→ not performing.
Physical risk	→ bodily harm, faulty brakes adulterated food etc.

Table 17.2 Social and economic risks

Social risk	Economic risk	
	Low	High
Low	Wine (home use) Socks Kitchen suppliers Pens/Pencils	Personal computers Auto repairs Clothes washer Insurance
High	Gasoline Fashion accessories Hairstyles Gifts (inexpensive) Wine (entertaining) Aerobics suits	Doctor/Lawyer Business suits Living room furniture Automobile Snow board Skin suit

Source: Taken from Hawkins, Best and Coney, covering p. 495.

These risks are to be reduced in a number of ways. In traditional stores, quality products and famous brand names must be kept for the consumer. Toll-free service may be provided, other facilities like 24-hour service may be provided with trained staff and 100 per cent satisfaction guarantee. Economic risk can be reduced through warranties and other price policies. Social risk is harder to reduce and skilled sale force and known brands should be used.

Shopping Orientation

There are many reasons for shopping. It may be for acquiring a product, or for making social interaction, or for exercise, or just for looking around and gaining more product knowledge. It can also be for exercising the physical parts and mental faculties. These motives may be different for different individuals and the purpose for shopping may also vary.

Thus, by shopping orientation we mean, what emphasis is put on various activities or, the reasons we have for shopping. Shoppers are therefore categorised into seven different categories, as given below:

Inactive shoppers

They do not enjoy shopping and are not concerned much with price, product selection, etc. They have a restricted lifestyle and restricted interest in shopping.

Active shoppers

They enjoy shopping, and like to find out about various products. They are knowledgeable and balance price with quality, fashion, attributes, etc.

Service shoppers

They give importance to service by the shopkeepers. Both in-store and after-sales service is their main consideration.

Traditional shoppers

They are active shoppers and engage in outdoor activities. They are knowledgeable and not price sensitive.

Price shoppers

They are price conscious. They make a lot of search and find the lowest price available. They take the help of the media for this purpose.

Dedicated fringe shoppers

They are catalogue shoppers, and have little interest in television and radio. Not store loyal. They are not heavy socialisers and do things by themselves.

Transitional shoppers

They are experimental and keep changing stores and products. They do not go for low price and buy products that interest them most.

There are also a number of influences that alter brand choices, as shown in Fig. 17.3

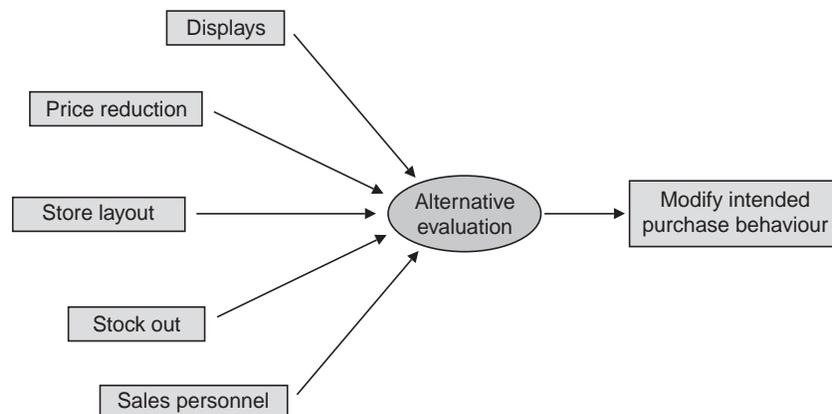


Fig. 17.3

Sometimes, unplanned purchases take place. These are purchases which have not been planned from before. These are also known as *impulse purchases*, which the consumer had not

planned or thought or, before entering the store. This can mean a lack of rationality in decision-making.

Point of Purchase Displays

These are important influences in helping the customer to make a decision. They become very effective in case of snacks, foods, etc. and the impact of these displays is tremendous and can be enhanced when combined with advertising.

Price reductions

Price reductions can be in the form of discounts, coupons, gifts. When price reduction is given to the consumer, the preference for these brands becomes more enhanced and the brand moves faster than the competing brands. This is a great motivation which acts in multiple ways. The consumer may buy the product because he is getting it cheaper, and may stock the product in a greater quantity than is desired. This is known as *stockpiling*. The users of competing brands may switch to the low price brand for the time being and, may or may not become permanent buyers of the brand. The price reduction may induce the non buyers to visit the stores and strike a bargain. It is not necessary that all householders and consumers may respond to price reduction.

Store layout

This is an important factor in store retailing. Prominently displayed products with good lighting and visibility, attract greater attention of buyers and have more chances of being sold. The store layout should not be monotonous, and be changed after intervals of time to give it a more innovative look. The principle of store displays and various types of displays must be practised.

Store atmosphere

A congenial atmosphere influences a person psychologically, and good environment, makes the customer stay a longer time in the shop, which enhances the chances of sales. In atmospherics we give importance to lighting, floor layout, presentation fixtures, colours, sound, dress, behaviour of salesman. The atmospherics apply to a number of services such as banks, hospitals, restaurant, etc. The types of racks used, and the way the merchandise is displayed on them, also influences the atmosphere. It is the setting which is enjoyed by the consumer. The consumer feels happy in a good atmosphere which also constitutes the type of clientele visiting the store.

Table 17.3 Store atmosphere and shopper behaviour

<i>Store atmosphere</i>	<i>Individual characteristics of the consumer and sales personnel</i>	<i>Response</i>
<i>Ambient conditions</i>	<i>Sales personnel</i>	<i>Sales personnel</i>
Temperature	Career objectives	Mood effort
Air quality	Training	Commitment
Noise	Personal situation	Attitude
Music	Social class	Knowledge skill
Odour	Stage in HLC	

(Contd....)

<i>Physical conditions</i>		
Layout		
Equipment		
Colours		
Furnishing		
Space		
<i>Social conditions</i>	<i>Consumers</i>	<i>Consumers</i>
Customer	Lifestyle	Enjoyment
Characteristics	Shopping orientation	Time in store
Number of customers	State in HLC	Items examined
Sales force	Situation	Information acquired
Characteristics		Purchases satisfaction
<i>Symbol</i>		
Figures		
P.O.P. displays		
Decor style		

Source: Adapted from Hawkins, Best.

Stock out

If a product or a brand is out of stock, *i.e.*, not available at an appropriate time, the consumer gets tempted to switch brands or delay the purchase. This is detrimental to the product and the manufacturer. It is therefore necessary for the retailer to order the inventory in good time, and also to ensure that stocks are always available, or replenished in time. If the stocks are not available when required, it influences the purchase behaviour of the consumers in many ways.

- He may purchase a substitute product or brand.
- He may delay the purchase.
- Forego the purchase entirely.
- Purchase the desired brand at another store.
- He may make negative comments about the product/brand.
- He may praise the substitute product and adopt the new product/brand permanently.
- He may develop a poor opinion of the store he had been patronising.
- He may visit alternative stores quite often.

All these behaviour patterns or outcomes are detrimental and negative to the store in question.

Sales personnel

It is the sales person that educates and enlightens the prospective customer. A competent, smart and intelligent salesman can change the entire perception of the consumer, *i.e.*, many retail owners having adequate knowledge can convince a consumer that Britta which is much cheaper has a better purifying affect. It retains the bacteria away from drinking water, better than Aquaguard. They can also explain the convenience of Britta and its cost effectiveness and

ease of handling which makes it quite competitive in the market. Therefore, many retail stores train their salesman both in the selling process and in closing the sales to the prospective customer and ensuring consumer satisfaction. The salesman also emphasises after sales service, which is a part of good salesmanship. A good interaction may take place in case of high and medium involvement products which are costly and risky to buy. The salesman in this case plays an important role.

Purchase

This is the final step in a transaction. Unless the purchase is made, all efforts of layout, atmosphere, effort of the salesman are a waste. Closing the sales is important. The trend these days is shifting to credit sales, which can be done by using various credit cards—various types of credit can also be given. Marketeers are competing to provide credit facility. In fact, credit has also become a product. Firms want to sell their credit facilities to the consumer.

Questions

1. How do outlets influence purchase behaviour of the consumer?
2. What are the dimensions of outlet image?
3. What is meant by shopping orientation?
4. Describe briefly the influences that affect or alter brand choices.