

Retail Marketing Strategy

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Lecture-15

Hello everyone, today we will be beginning with session 4 of the week 3 of the module of the course retail marketing strategy.

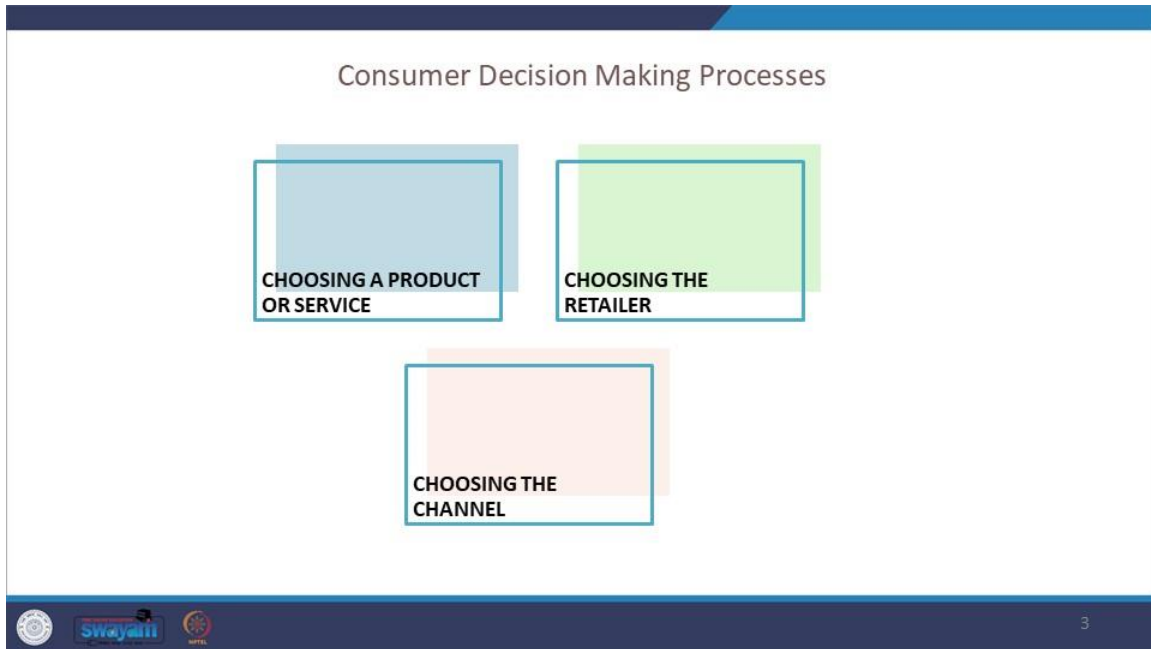
Learning Objectives:

After going through this module, the learner will be able to appreciate:

- Consumer decision making processes (Continued)

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So, as we have discussed in the last module in this particular session we will be digging more deeper into the consumer decision making processes.



So, if you remember I had given you a perspective with respect to these three facets, one was about choosing a product or service, the second one was about choosing the retailer and the third one was about choosing the channel. Now, this can be regarding choosing between online and offline channels also with respect to other touch points which could be available.

Consumer Decision Making Processes

Consumer behaviour is the study of consumers' actions during searching for, purchasing, using, evaluating and disposing of products and services.

The consumer decision making process can certainly be looked at from the perspectives of the *Input, Process and Output*

While, input indicates marketing communications and socio-cultural influences, the process captures need-recognition, information search and evaluation of alternatives, and finally the output signposts purchase and post-purchase behaviour.

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Now, as we begin we will be first talking about the consumer decision making process in general with respect to why people buy certain products and services, let us say why

someone would buy Woodland shoes or why someone would prefer Adidas or Nike shoes. We will be looking at how consumers eventually make choices.

Now, to firstly understand what consumer behaviour is it is simply the study of consumer actions during searching for purchasing, using, evaluating and disposing of products and services. Now, whenever we are talking about consumer decision making processes we are not just looking at why are they buying certain products, we are also looking at how they are buying certain products. Let us say for some product categories you will see people that they will make a lot of or very extensive product information search, but for some they will not do it. Now, that again can be aligned with extensive problem solving, limited problem solving and routinized problem solving.

So, as we move further we will also be talking about that a lot. Otherwise in general the consumer decision making processes can certainly be looked at from the perspectives of input process and output. Now, input is all about from where they are getting information. Now, that can be through the marketer itself how they execute 4Ps through the advertising campaigns or marketing communications program that they do or this can also come from the socio culture influences. Let us say how their culture is impacting their product choices, the social factors in the sense like how the society is evolving or maybe how their family is having an impact on them or opinion leaders as well as reference groups.

Now, the process precisely captures the essence of stages like need recognition, how they are recognizing their needs, whether it is a desired state or an actual state, then finally, how they are collecting information, which channels are they using for collecting information, then we get to the facet of understanding how they are evaluating alternatives and finally, how they are buying, which channels are they selecting with respect to executing the final purchase. And we also touch upon the perspectives of output with signpost purchase and post purchase which outposts purchase and post purchase behaviour. Now, you might be wondering once the purchase has been done why post purchase behaviour becomes important. First is post purchase behaviour plays a very important role with respect to the satisfaction and dissatisfaction employees with the satisfaction and dissatisfaction of customers. Let us say if there is a problem in the product or let us say the product might need repairs.

So, the retailers definitely need to be available for the customers in helping them out in these situations. Apart from that just because there are so many options for the product available even after buying the product you might see a customer going through the feelings of cognitive dissonance. Which could be related to the feelings of dissatisfaction that they have made the wrong choice. So, a retailer or a marketer has to continuously work towards reinforcing that they have made the best choice for the product. So, this is again one thing which we will be discussing as we move forward right.

In other words, we can say, understanding consumer behaviour is all about answering these five questions:

Who is
important in
buying decision?

How do they
buy?

What is their
choice criteria?

Where do they
buy?

When do they
buy?

So, in simple words we can say understanding consumer behaviour is all about understanding who is important in buying decisions which means understanding the various roles that people can play in the purchase process. You might have a decider, you might have an influencer, you might have a buyer, then you might have a gatekeeper. Gatekeeper means the person who can controls the flow of information right. Then how do they buy which channels do they use for buying, what is their choice criteria which means which parameters are they using for purchasing products. Like let us say someone might simply buy a particular mobile phone for the camera quality where the other person might buy a different one out of the battery life or a larger or a longer battery life.

Now, in this case the choice criteria is completely different. So, precisely this is utilised for segmenting customers which again is a very important facet of a retailers strategic decision making. Then where do they buy and finally, when do they buy that again becomes important. See when we talk about when do they buy then again the comparison between online and offline shopping becomes important. As far as online retailers are concerned you have the convenience of shopping at any time of the day.

Be it in the morning, be it in the evening or in the night, but in case of physical or brick and mortar retail stores time is definitely going to be a barrier. Now, this can also be looked at from the perspective of service retailing. Let us say you have a particular grocery store which is open from 7 am in the morning to the 7 am of the next day precisely for 24 hours. So, in that case you might have certain section of customers who might prefer you just because you are available for a longer time. Likewise in other

service industry also opening of hotels, restaurants can also impact when do they buy or when do they consume your offerings.

Input:

Input signifies the set of strategies which aim at reaching out, and informing and persuading shoppers to buy.

These include all means of marketing communication; advertising, sales promotion, personal selling, events, public relations activities and interactive marketing in conjunction with the product, pricing and place strategies, encompassing all 4P's (Product, Price, Place and Promotion)



Now, we will first start with understanding the input process. Now, input simply signifies the set of strategies which are basically oriented towards reaching out or informing the consumers about your products and services. Now, just imagine if there is a retailer in the locality who is basically offering groceries and people do not know about that particular retail store in that particular locality nothing is going to work right. So, first thing is you a retailer or a marketer needs to make the consumers aware about their establishment also about the products and services that they are offering. Now, you can also extend this example with respect to the fact that the same grocery retailer is offering exotic fruits and vegetables which no other retail store is offering.

So, don't you think it is going to be a biggest advantage if you kind of communicate this to the general public or people who are living at that vicinity because this is indeed going to be a unique selling proposition. But if you are not sharing or not communicating this to the customers this is definitely not going to work and will not be beneficial for you. So, in a general sense input basically includes all means of marketing communication whether it is advertising, sales promotion, personal selling, events, public relation activities, interactive marketing which is precisely used in conjunction with the other piece.

Along with 4P's, it is the socio-cultural influences that play an important role at the input stage.

Reference group: This comprises all groups that have a direct or indirect influence on attitude and behaviour of an individual. This could be both direct and indirect.

Primary: The ones with whom a customer interacts on daily basis and are a bit informal.

Secondary: Less interaction on day to day basis, more formal

Along with that it also includes socio cultural influences in which we precisely consider reference groups. Now, this comprises all the groups that can have a direct and indirect influence on the attitude and behaviour of an individual.

Now, attitude is basically about their evaluation of an object product or even a retail store whether they evaluate a particular retail store positively or negatively or even how they feel about a particular product, service, offering or even a retailer like a particular retailer and might have a positive attitude towards it for some reasons and you might not like a particular retailer for some of the negative things that you might have experienced. Let us say because the staff in that particular retail store was not very courteous was not very helpful or the stock in that particular store was not very in terms of variety was very limited right. So, reference groups can be both direct and indirect. Now, reference groups can further be bifurcated into different categories primary and secondary. Now, primary are the ones with whom a customer interacts on daily basis and these are a bit informal like a family, friends right these are going to be a part of primary reference groups because you are interacting with them on daily basis.

Now, you can also consider your coworkers in this particular group right because you are spending a major time of your in situations if you are spending a major time of your day at work. Now, secondary reference groups are precisely those groups which have less interaction on day to day basis and are more formal. Let us say you have joined some group which could be organizing meetings maybe let us say in a week or a month or something like that or even celebrities you are not interacting with them on day to day basis they are more formal right, but still they can have an influence as secondary reference groups on what you buy or what you like or what you do not like right even

with respect to particular retail stores. Now, as far as reference groups are concerned they can again be looked at from the perspective of membership groups associative and disassociative. Now, associative or membership groups are those or those groups with whom you would like to have a strong association or you would like to be a part of, but some reference groups are those which you might just avoid and you might not prefer being a part of it right.

Opinion leader: Person who is perceived as an expert in a product category or categories and offers informal advice.

Family: Defined as two or more people staying together and are related by blood or marriage. Family of orientation (parents and siblings), family of procreation (spouse and children)

So, another important facet as a part of socio cultural influences is opinion leader. Now, these are basically perceived as experts in a product category or categories and precisely offer informal advice. Now, a particular person can be an opinion leader in different product categories. Now, just imagine you might have a group of friends if you decide to buy a laptop you might have someone who is very technologically sound or might have very good knowledge about various laptop brands or with respect to which one is going to be the best for you. Now, that particular person can be an opinion leader with respect to purchasing laptops likewise you might have an opinion leader in your group who could be more sound or have might have a very good knowledge with respect to cars or two wheelers.

So, what we are trying to say is you might have different opinion leaders for different product categories, but you might also come across situations where one person is going to be an opinion leader in different product categories and this precisely happens on account of their interest with respect to you know learning about various products that are available in the market and these are also many times innovators which means the segment of the consumers who will purchase the products as and when they are launched in the market and just out of excitement precisely for technological products. Now, the another socio cultural influence is definitely going to be a family which is defined as two

or more people staying together and are related by blood or marriage, but you also have a family bifurcated as family of orientation which includes your parents and siblings and family of procreation which includes your spouse and children. And if you recollect many of your shopping experiences you will be definitely able to pinpoint the role which family played with respect to what you were buying and what you were not buying.

Social class: Relatively homogeneous and enduring divisions in society which are hierarchically structured. Eg. Upper vs. Middle Class



Source: <https://www.sonatawatches.in/>, <https://www.titan.co.in/>

So, the another important facet which becomes a part of socio cultural influences is social class. Social class is technically defined as relatively homogeneous and enduring divisions in a society which are hierarchically structured.

One of the simplest examples can be looking at you know segments from the perspective of upper class and middle class and many times you will also see marketers and retailers will be coming up with different products for different classes let us say upper class middle class or lower middle class. If you talk about titan sonata is a brand which is precisely focused on middle classes right because of the price range that it offers, but if you talk about another brands from the same house of titan like tommy hilfiger titan raga they are precisely focused on upper classes simply because of the price range that they fall in. Likewise even with respect to other brands you will see that you know there are going to be different product categories for different classes. Let us say in segment of shirts you might see some shirts which will be available at some lower prices of a particular quality and could be targeted at lower middle class or middle class then likewise you will see certain brand which will be only focused on upper middle classes and is definitely going to command that amount of price. Now, you can see even retailers when they launch private labels or even certain retail services can also be looked at from the perspective of social classes or as far as the divisions in social classes are concerned.

Now, just imagine going to McDonalds and going to Taj the it is a completely different experience even as far as various social classes are concerned. So, these are a few things which I want you to understand with respect to the facet of social classes that even retailers with respect to the products that they are offering can be looked at from the perspective of different social classes. And for specifically considering social classes and the connection between retailers I would again urge you to go back to forum and maybe share your views or maybe share your thought processes on different retailers and to the classes that they could be catering to as far as upper middle and higher classes are concerned.

Culture and sub-culture: Culture is often defined as the invisible hand that guides the actions of the people. It is also demarcated as the mental programming of the mind.

On the other hand, the sub-culture provides specific identification and also socialization for its members. Sub-culture includes nationalities, racial groups, religions and geographic groups.



Now, another important point in socio culture influences is culture and subculture. Now, culture is often defined as the invisible hand that guides actions of people and it is also demarked as the mental programming of the mind this basically has been prescribed by Hofspede who is one of the most popular researchers in culture domain.

Whereas, when you get to subculture they provide specific identification, but I am not elaborating too much on this because we already had a brief discussion about how culture subculture can impact a retailer. Now, just to put it again in brief as a part of culture on festivals the retailers definitely have a good time because people do a lot of shopping right. So, that can be an aspect of culture. Apart from that if you look at subculture if you compare north and south east and west if you visit grocery stores you are definitely going to see a completely different assortment. Now, that can be an aspect of subculture as far as retailing is concerned.

Process: How do they buy?

Need Recognition: Any sort of felt deprivation or any situation when the consumer faces any problem. Needs may arise either on account of natural processes or changing situations or marketer's stimulation

There are two types of need states: **actual state** (when a shopper perceives there is a problem), **desired** (aspiration for something new stimulates the process)

A salesman at this stage needs to understand whether the needs are functional or psychological. And, they should also comprehend need inhibitors (what prevents a need from being activated)



Now, we are moving to the next stage of the consumer decision making processes which is about understanding how do they buy. So, in this case one thing which we need to understand is need recognition. Now, first let us understand what is a need. Now, this is precisely any sort of field deprivation or any situation when the consumer faces any problem. Now, this again can be further bifurcated into actual state and desired state.

Now, actual state is precisely the stages where you actually face a problem or you feel the need of a product or a service. Maybe let us say you are already using a mobile and it has fallen down and now it is not working properly you need to buy a new one or maybe you can consider a situation maybe let us say the groceries have been completely utilized at your home now you need to go and get some more. Now, this is going to be an actual state where you could be buying more of products or maybe let us say visiting retailers, but there can be certain situations where you visit retailers or buy certain products out of desire or aspiration for something new. It is more like the aspiration for something new stimulates you to buy or maybe you know go through the consumer decision making stages. Now, let us consider the example of say mobile.

Your mobile is working completely fine, but you see a new ad where the marketer has very smartly stimulated you to move to another option or maybe your friend bought a new mobile which you got really excited about and you really like now you thought of buying that. Now, these can be considered as desired state. Now, as far as marketing and retailing is concerned they would always want you to be in desired state right because they would always want you to keep shifting from one product to another so that you continuously keep buying from them. But as far as this is considered it becomes

important for a retailer or a sales person working in a retail store to understand whether the needs are functional or psychological or maybe we can say hedonic then they can work towards recommending

Pre-purchase Information Search: Personal (Family, Friends and Neighbours) + Commercial (Advertising and Sales people) + Experiential (Handling the product) + Public (Mass-media and Rating groups)

Type of buying situation also influences this stage greatly: Extensive Problem Solving, Limited Problem Solving and Automatic/Routinized Problem Solving along with product involvement



certain products to the customers and can devise certain strategies to deal with them right.

Now, once you have recognized the needs the next stage that you will be moving towards is pre purchase search information.

And see as far as present retailing dynamics is concerned internet has completely changed this pre purchase search processes right. So, firstly we will look at how this happens now you could be asking for the information through personal channels which means you could be getting some information from your family friends or neighbors or from some commercial channels advertising and sales people or through experiential also which means you will be visiting the retail store you will be examining that product and then you will be deciding whether you want to buy it or not or maybe through some mass media or rating groups you might also get some information from these channels. But see there are three situations that you can eventually encounter one is extensive problem solving other one is limited problem solving and the third one is automatic or routinized problem solving which works in conjunction with product involvement and retailer is definitely going to play a different role in all these three categories right. So, let us say if you are coming across the situation of extensive problem solving. So, in this case the problem need is new you need a very high degree of information or you would prefer if you are encompassing a very high product involvement situation you will be definitely looking forward to collecting a lot more information or examining a lot of alternative before you finally make your choice.

Now in this case retailers role is going to be very crucial it becomes very important for the retailer to provide all the right information to the customers or I would say it is going to be the best and win-win situation if the retailer can actually adopt a sense making approach as far as extensive problem solving is concerned. Now we also need to connect the dots regarding internet and world wide web in this case internet or technological advances has made this very much easier for the customers to look for information anytime whenever they want. Now we can look for information through rating groups you can go to any online retailer let us say Flipkart, Amazon, Myntra and you can check out product reviews which can eventually be utilized by you to make right product choices, but many times even with respect to reviews if there are too many positive reviews you might get doubtful that is why the best strategy for any retailer is to adopt neutral is to offer neutral reviews which means you give the consumer a perspective about both the positive and negative points of the product and then you leave it on them to decide what will work best for them and what will not work for them.

Extensive Problem Solving: Problem/need is new, high degree of information search and close examination of alternatives, a retailer's role is to provide all required information to build goodwill. It is best to act as a consultant to customers.

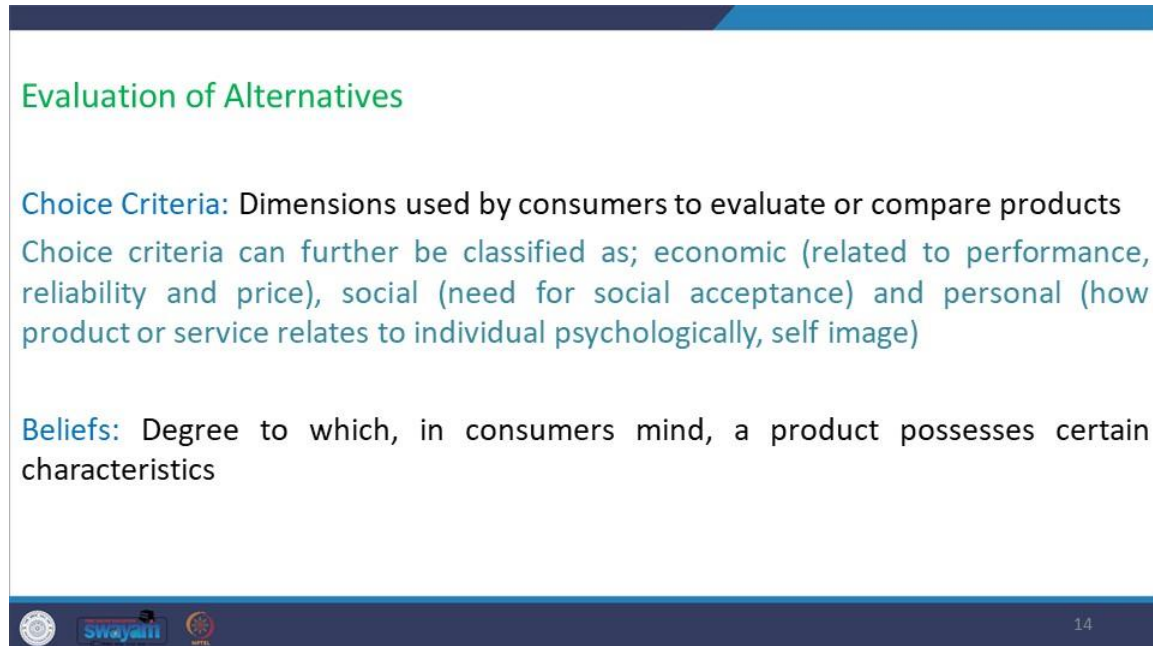
Limited Problem Solving: Prospect or consumer already has some past experience, some more information may be collected on new players or to make sure that right decision is being made. A retailer's job here is to attract the prospect or consumer if it has been already captured by the competitor.

Automatic/ Routinized Problem Solving: Mainly comprises re-ordering

But as you move further the next stages the next category is of limited problem solving. Now in this case the prospect or consumer already has some past experience, but may require some more information on new players right to make the best of the decision.

So, in this case also retailers job is to attract the prospect or consumer if you are not a part of their choice set right. Let us say if a particular customer has ABC retailers in mind and they will be buying it from them only then your job as a retailer is to make sure that you get into the consideration or choice set and you adopt all the strategies to attract them and make sure that they become your customers now right. And the third one is automatic or routinized problem solving which mainly comprises reordering it is more

like you will be going to the same grocery retailer to buy the products or groceries of your choice. But in the present retailing dynamics which is very competitive and complex still you need to have the strategies to make sure that the loyalty is taken on next level and you can assume that the customer would eventually be visiting you again right.



Evaluation of Alternatives

Choice Criteria: Dimensions used by consumers to evaluate or compare products
Choice criteria can further be classified as; economic (related to performance, reliability and price), social (need for social acceptance) and personal (how product or service relates to individual psychologically, self image)

Beliefs: Degree to which, in consumers mind, a product possesses certain characteristics

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Now the next stage is once the information has been collected the consumer will get to the mode of evaluation of alternatives.

Now in this case the choice criteria can be economic which could be related to performance reliability and price or in other words we can say where the criteria is going to be completely functional. You will see what are the attributes and the benefits that you can derive from the product. The other criteria could be social which is related to need for social acceptance or could be personal how product or service relates to your individual psychology or self image. Now how you view yourself also impacts to a greater extent with respect to the product choices that you make. So, I would again urge you to go and read more about it and maybe Google a lot more to understand the various facets of self image as far as the consumers product choices are concerned.

Now when we are evaluating services beliefs also play a major role. Now this is the degree to which in consumers mind a product processes certain characteristics. Now this is all about perception and perception is always going to be in the consumers mind. A retailer or a marketer can make a lot of efforts to make sure or to maybe kind of indicate their product is the best, but eventually how consumers believe about it or what is the perception that they hold in their mind is only going to decide what they would prefer.

Attitude: Degree of liking and disliking the product

Intentions: Probability that attitudes will be acted upon

Expectancy Value Model: Consumers usually evaluate products and services by combining their positive and negative brand beliefs depending on their relevance/ or importance.

A retailer's role is to understand the prospects and consumer's choice criteria and fill shelf spaces accordingly, focus should also be laid on changing the choice criteria depending upon what is being offered



Then we get to the facets of attitude and intentions which is about the degree of liking or disliking the product and eventually focusing on intentions becomes crucial because it is the probability that the attitudes will be acted upon which means if a consumer feels positively for a product or a service or even a retailer then they will be eventually buying it from them.

Now again there is an important model that we need to understand with respect to how consumers make choices for certain products and services and this can even be extended to the fact how they decide on from which retailer or which particular retailer they will be buying from. Now expectancy value model simply states that consumers usually evaluate products and services by combining their positive and negative brand beliefs depending on their relevance or importance which means every product is going to have certain parameters that will be used for evaluation right. Like let us say if you decide to buy a mobile you might look on the camera pixels, screen size you know battery life, the price point or aesthetics how the product looks. Now but you will also have certain brand beliefs regarding which brand you know marketer or a manufacturer is good in which category. If you remember Oppo is particularly known for camera.

So, people might have a lot of positive brand beliefs concerning Oppo if they are only focusing on camera. Likewise many people feel that iPhone is very good when it comes to the security mechanics. So, these are different parameters which people use to evaluate products and services and it completely depends on the beliefs that they have. But it also needs to be looked at in tandem with the relevance or importance which they are giving to a parameter. Like if security is only going to be an important parameter for me then I will be definitely going ahead with the iPhone.

Likewise this model can also be applied to retailers because you will be also evaluating retailers on various parameters like one could be let us say the ambience or the sales promotion offers that they have or their let us say very lenient return policies. Now this can be one of the important parameters as far as the fight between online and offline retailers is concerned. But eventually it is of critical importance for a retailer to be in either of these sets, but definitely not in the in-ept set.



It becomes very important for any product or service or any offering to be a part of awareness and consideration set, but not of inert and in-ept set. Now awareness is about all those sets let us say of the various brands or offerings that you are aware of.

Now again this becomes important for a retailer also as I had said in the beginning if you know about a particular retail store only then you will be going and buying from it. Then as far as both products and services are concerned it becomes important to be a part of consideration set. Now consideration set simply indicates the options which a customer is willing to consider for a purchase. Now this is equally true for products and services right. If I want to buy a mobile Samsung would want to be a part of my consideration set right.

Apple would want to be a part of my consideration set right. If there is any other brand let us say real me OPPO all these will also would like to be a part of my consideration set even Xiaomi will try for the same, but this was with respect to a product or service offering. But even retailers would like that as I was telling you in the beginning you might have 5 retail stores who are operating in a particular locality, but from which ones

you are going to buy becomes critically importance even if we consider a situation of same products and similar offers right. So, in this case also even a retailer would like to be a part of consideration set. Then when we talk about in-ept set it is more about the brands that a buyer is aware of when considering a purchase, but has no interest in.

Now in this case it becomes important for the manufacturer or the marketer to adopt right strategies to make sure that they become a part of inert set and the same goes for in-ept set which are usually considered or evaluated negatively by the prospective consumers. Now in this case what is critically important is to identify why they are evaluating negatively. Now the same can be applied to retail stores or retail establishment also right, but eventually what is going to be importance is that every retailer would want to be a part of the awareness as far as consumer decision making processes in retailing are concerned. So, as far as this module is concerned I hope that you enjoyed learning about our initial discussion with respect to the consumer decision making processes in retailing dynamics where we looked at it from the perspective of not only making the choices for product or service offerings, but also about picking up from the retailers that are available in the market or which a consumer can access. As we move further we will be discussing a lot more exciting things about the consumer decision making mechanics in retailing.

So, looking forward to meeting you in the next session wishing you a good day for now. Thank you.