

chapter

17

Outlet Selection and Purchase



LEARNING OBJECTIVES

L01 Describe how retailing is evolving.

L02 Discuss the Internet and mobile as part of multi- and omni-channel shopping.

L03 Explain the retail and consumer attributes that affect outlet selection.

L04 Summarize the in-store and online influences on brand choice.

L05 Understand how purchase plays a role in the shopping process.

Brick-and-mortar stores are fighting for their survival using technology—the very thing that in many ways threatens its existence—to do so.¹ Here are some examples:

Window Displays. It isn't that consumers are going to the mall any less; it's that they are visiting fewer stores. Having shopped online, they have narrowed their selection of alternatives and have less need to visit as many stores as they had in the past. This creates a greater challenge for window displays purposed to convert passersby to shoppers. With the help of technology, the staid, flat, static window displays can be transformed into visual hooks that hijack consumer attention, encourage consumer interaction, and drive foot traffic into stores. For example, using (Kinect technology) sensors, the Nike Hyperdunk+ shoes window display lets you measure how high you can jump (to dunk a basketball) as follows:

[Y]ou stand on a street-side blue dot and jump as high as you can. Then, the system asks if you'd like to save your score—you respond by touching a “yes” or “no” decal on the window, which makes the entire plate glass window feel like a touch screen (though really, the camera is just tracking the movement of your hand).

You can compare yourself, Strava-style, to others on a web ranking site.²

For its “Merry Kissmass” holiday window display, retailer Ted Baker created a giant digital Mistletoe atop the entrance of its New York City store. Consumers were invited “to take ‘selfies’ kissing in front of a digital backdrop and tag them (hashtag) KissTed on Instagram or Twitter. The photos, displayed on another screen, were entered into a contest to win a romantic getaway.”

Shoppertainment. Brick-and-mortar stores have the opportunity to create “shopper-tainment” experiences for consumers using technology to help design environments that are emotionally engaging, entertaining, and memorable. A showcase example is the 44,000-square-foot Burberry flagship store on Regent Street in London. Housed in the remodeled 1820 Prince Regent building, the Burberry store is theatrical and technologically integrated throughout. Upon entering the store, consumers see the world's tallest indoor retail screen (over 22 feet), self-supporting stone staircases, and well placed scatterings of “bespoke blackened bronze lanterns, furniture, plasterwork, timber paneling and flooring, traditional glass signage,” all of which

provide the intended effect—giving customers the feeling that they have arrived at Burberry World Live, the Burberry web landing page. Mirrors instantly transform into screens to show “runway footage and exclusive video and satellite technology-enabled live streaming of events.” At set times throughout the day, “disruptive digital takeovers” occur and all 500 speakers and 100 screens are synchronized to show the same thing. RFID (radio-frequency identification)-tagged merchandise trigger mirrors in the store and in the fitting rooms to turn into video screens that provide the consumer with product information they would not otherwise have—design, stitching, history—and in the process create touch points for consumers to form deep engagement with the brand. To make purchasing web-easy, iPad-armed Burberry personnel not only can answer questions about inventory and place orders, but also can take payment on the spot, eliminating the need for customers to carry merchandise to cashiers and wait in line to pay for products. The store is designed to provide a website user experience in a brick-and-mortar store.

Inventory. The advantage of web stores for unlimited inventory can be matched by brick-and-mortar stores that extend their physical inventory with virtual inventory displayed on large-screen kiosks, touch-screen order points, and online kiosks. One example is the virtual footwear wall piloted by Adidas, the global

athletic retailer. The wall, which includes LCD touch screens that allow consumers to create shoes and see them rendered in 3-D, has led to substantial increase in sales.

Tracking Consumers. Web stores can track consumer wanderings on the Internet by following the trail of cookies (bits of software code). Now a number of firms (RetailNext, Euclid Elements, Nomi, ShopperTrak, Brickstream, WirelessWex, Shopperception) are using technology—smartphones’ unique Wi-Fi address, heat maps, sensors that track radio signals from mobile phones—to allow brick-and-mortar stores to do the same in the physical world. Brick-and-mortar stores can capture data—consumer wanderings in the store, the amount of time they spent at various locations, the items they considered, the number of passersby who entered the store, the length of time of their stay, whether or not they return—that can be analyzed to provide information vital for planning staffing needs, merchandise decisions, store layouts, and window displays to attract customers and influence shoppers. In addition, with knowledge of consumer in-store location, retailers can send information and offers—coupons, discounts—about merchandise to the consumer’s smartphone (Shopperception, Shopkick, and Snapett) when consumers are in the vicinity of the merchandise.

Clearly, retailing is an exciting area of marketing. *What’s next on the retail horizon?*

Before, during, or after searching for information and selecting a brand, consumers select a retail outlet from which to make a purchase. Brands are critical to retail outlets because brands are a major determinant of which outlets consumers will shop. Retail outlets are critical to brands because retailers provide brands with the access to the consumers they desire. The Husky ad in Illustration 17–1 provides an example of the importance of retail outlets and brands to each other as the brand and several retailers are advertised simultaneously.

Our focus in this chapter is to describe the evolving retail landscape, the factors affecting outlet selection, and the in-store (and online) determinants of brand choice.

THE EVOLVING RETAIL SCENE

As the opening examples illustrate, retailing is changing dramatically, particularly as a function of technology. We use *retail outlet* to refer to any source of products or services for consumers. This has moved well beyond physical stores and catalogs to include the Internet, interactive TV ads, and mobile shopping apps. Roughly 20 years ago, the following description of the future of retailing by Bill Gates, founder of Microsoft, seemed far-fetched. However, much if not all of what he predicted has already happened or is now happening, along with a few things he didn't predict. Consider his statement:



ILLUSTRATION 17-1

This Husky ad shows how marketers often use advertising to create brand demand and to direct consumers to appropriate outlets.

L01

You're watching "Seinfeld" on TV, and you like the jacket he's wearing. You click on it with your remote control. The show pauses and a Windows-style dropdown menu appears at the top of the screen, asking if you want to buy it. You click "yes." The next menu offers you a choice of colors; you click on black. Another menu lists your credit cards asking which one you'll use for this purchase. Click on MasterCard or whatever. Which address should the jacket go to, your office or your home or your cabin? Click on one address and you're done—the menus disappear and "Seinfeld" picks up where it left off.

Just as you'll already have taught the computer about your credit cards and addresses, you will have had your body measured by a 3-D version of supermarket scanners, so the system will know your exact size. And it will send the data electronically to a factory, where robots will custom tailor the jacket to your measurements. An overnight courier service will deliver it to your door the next morning.³

Today, computers can learn and recall consumer information and preferences in a number of ways including behavioral tracking, full-body scanners exist that allow for custom-fitted apparel, and many cable providers are experimenting with interactive TV ads that allow users to get more information about products in the ads and even, as in the case of Reebok, purchase them.⁴

Beyond interactive TV ads is the concept of interactive TV shows in which brands within the shows can be searched and bought using the TV remote. If you think this seems far-fetched, go to www.clikthrough.com, where you can watch music videos by popular artists in which the brands and products in the videos are searchable and buyable.

In Katy Perry's video *Waking Up in Vegas*, a man is wearing a black shirt. Click on the shirt and a box appears that provides more information about the shirt. Click on the "shop now" button, and it takes you to the Neiman Marcus online store where you can buy the shirt.

Our main focus in the current chapter is on Internet (online) and store (bricks-and-mortar) retailing with additional discussion focused on the increasing role of mobile apps in terms of their influence on how consumers shop both online and in store. Also, other forms of nonstore retailing such as catalogs, telemarketing, direct mail, and TV (referred to as **in-home shopping**) continue to be important and are discussed. The integration of the Internet and mobile has given rise to an additional issue that we discuss, namely, multi- and omni-channel marketing and consumers.

Internet Retailing

As indicated in Chapter 15, the Internet is a major information source. It is also a major retail channel and one aspect of in-home shopping. The following table shows the current size of Internet retailing.⁵

Current Size of Internet Retailing	
U.S. Internet users (millions)	288
Total U.S. (nontravel) retail expenditures online (billions)	\$279
Online spending as a percent of all retail spending	11
Total web-influenced in-store sales (billions)	\$1,543

Several aspects of this table specifically, and Internet shopping more generally, are worth noting. First, annual growth in the number of Internet users is relatively low, at about 3 percent. This is because most of the U.S. adult population is already online. Second, annual growth in online sales remains steady at 12 percent (this number depends substantially on the product class). Third, estimates indicate that between 66 and 88 percent of Internet users have purchased a product online at some point. Thus, future growth in online sales will continue to come more from increasing the amount of online spending from *existing* buyers than from increasing the number of Internet users. One estimate by Forrester indicates that in 2010, 70 percent of the increase in online sales came from existing online shoppers buying more.⁶ And there is still substantial room to grow. Even if you take away grocery sales, which have very low Internet penetration, the online sales are still only about 15 percent of retail sales. Finally, the Internet has a major influence on in-store sales, which further increases its importance as a retail channel. Such “cross-channel” effects are discussed later in the chapter.

The top five categories of online spending continue to include (1) travel, (2) apparel (including accessories and footwear), (3) computers and peripherals, (4) automotive (autos and parts), and (5) consumer electronics. Consumers shop online for various reasons, many of them similar to those for shopping from catalogs:⁷

Reason	Online Shopping	Catalog Shopping
Convenience	67%	62%
Price was right	41	40
Unique merchandise	33	40
Past experience with company	28	39
Wanted product delivered	16	31
No time to go to store	13	17
Recommendation from a friend	7	7
Impulse	4	5

Source: *Catalog Age*. Reprinted with the permission of Primedia Business Magazines & Media Inc. Copyright 2001. All rights reserved.

Until recently, many industry experts predicted the demise of catalogs. However, catalogs and the Internet appear to work in a complementary fashion. For example, one study found that when consumers received a physical catalog, it nearly doubled their chances of buying at the retailer’s website and increased their spending by 16 percent.⁸

Characteristics of Online Shoppers Obviously, online shoppers must first be Internet users. As we saw in Chapter 15, Internet users tend to be younger and have higher income and education levels than the general population, although these differences are diminishing. Pew Research estimates that currently 66 percent of all U.S. adult Internet users have made a purchase online at some time. The demographic characteristics of Internet buyers are similar to Internet users. Namely, they are younger (under 65 versus 65+ is the major difference), are non-Hispanic, have higher education levels, earn higher income,

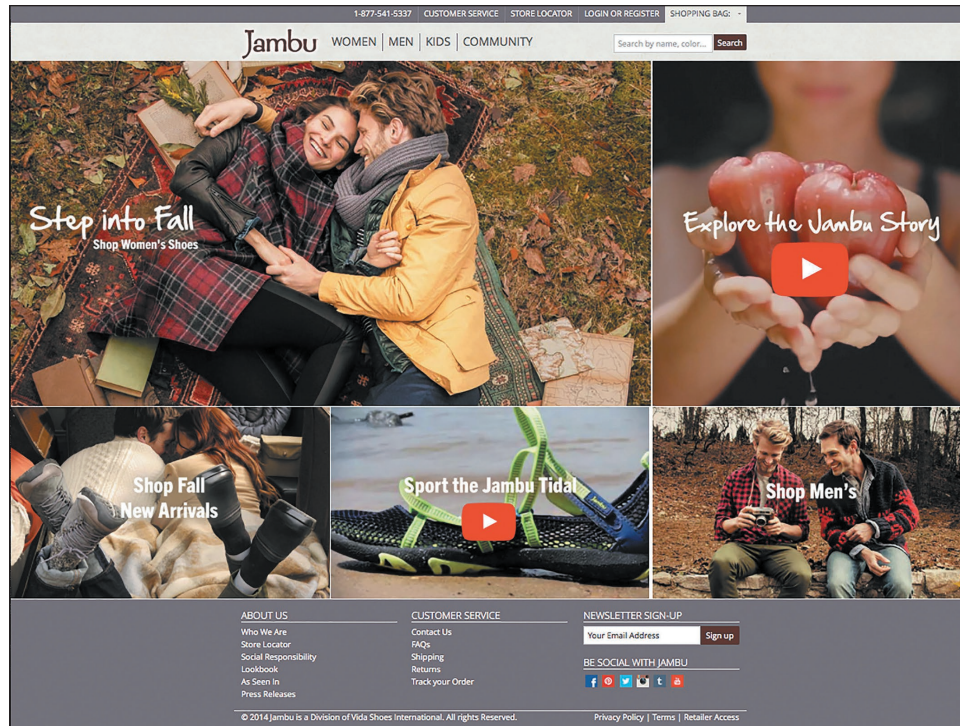


ILLUSTRATION 17-2

Different consumers use the Internet in different ways to browse and shop. Which shopper segment is this website trying to target?

and are broadband users.⁹ In addition, online experience appears to increase online buying.¹⁰ And online attitudes, experiences, and behavior influence online buying, as suggested by the following shopping segments found by Experian.¹¹ Illustration 17–2 shows a screenshot of retailer Jambu footwear. Can you pick which shopping segment it is targeting?

- *Upscale Clicks and Bricks* (17 percent) are 68 percent more likely than average to have bought online in the past 12 months. Higher income and middle age, this segment is most likely to buy online, but also buy in-store on par with average consumer. Heavy online research prior to buying.
- *Virtual Shoppers* (26 percent) are 10 percent more likely than average to have bought online in the past 12 months. Younger and split between higher and lower income, this group tends to use the Internet to find good deals.
- *Status Strivers* (20 percent) are 4 percent more likely than average to have bought online in the past 12 months. Younger and heavily female, this group sees shopping as fun and as a form of recreation. Like to browse and shop to keep up with trends. Highest mall shoppers.
- *Mall Maniacs* (10 percent) are 15 percent less likely than average to have bought online in the past 12 months. Middle income, this group likes trying new things. They enjoy shopping. Second highest mall shoppers.
- *Just the Essentials* (14 percent) are 27 percent less likely than average to have bought online in the past 12 months. Older and middle income, this group is only looking for functional necessity. Score lower than average on all forms of shopping.
- *Original Traditionalists* (13 percent) are 55 percent less likely than average to have bought online in past the 12 months. Older and lower income, this group is brand and store loyal, buy American, buy green. Roughly average on mall shopping. Highest catalog shoppers.

A study of Asian consumers yielded a similar set of segments.¹² Clearly, in order for online buying to continue growing, marketers must overcome barriers that suppress online buying, particularly of the Status Strivers and Mall Maniacs. This is not a simple proposition. These consumers enjoy shopping and the “fun” factor in shopping. Many probably

enjoy the social aspect of shopping with others that the Internet generally lacks. Interestingly, the Just the Essentials group may be attracted to the ease of buying online and the ability to get good deals and may not mind if Internet shopping is functional.

Barriers to Internet Shopping For some products, people, and situations, the Internet offers a better combination of selection, convenience, price, and other attributes than do catalogs, traditional stores, or other outlets. However, in many cases, consumers prefer traditional retail stores. Indeed, traditional offline stores are still the top-ranked *purchasing* channel for most consumers in most categories, followed by the Internet and catalogs.¹³ An obvious barrier to Internet shopping is online access, although, as we've seen in Chapter 15, this is diminishing rapidly. For those who are online, other barriers exist. Forrester Research found that for those who were online but had never made a purchase, the following reasons were contributing factors.¹⁴ Research suggests similar reasons for Asian consumers as well.¹⁵

Reason	%
Lack of "touch"	36
Don't want to give personal financial information	32
Delivery costs too high	29
Returns will be a hassle	26
Prefer to research online, buy offline	24
Feel no need to buy online	23
Can't speak to sales assistant online	14

Source: Forrester Research, 2010.

These and other barriers relate to the issue of converting browsers to buyers, a major concern to Internet marketers looking to enhance online sales. Consumer Insight 17–1 discusses online conversion strategies.

Store-Based Retailing

The majority of retail sales take place in physical stores, and this will remain true for the foreseeable future. However, traditional store-based retailing is certainly vulnerable in ways that play into the hands of in-home retailers. Consider the results of a Roper survey asking consumers why they don't like shopping in stores:¹⁶

Reason	Percent
Salespeople are poorly informed	74
Waiting in long lines	73
Hard time finding things	64
Parking and traffic	64
Dealing with crowds	58
Hard to get someone to wait on you	54
The time it takes to shop	38
Don't like shopping	34

Source: From Roper Reports Telephone Survey, August 2003.

Obviously, for many people, in-store shopping is perceived as neither fun nor an efficient use of time. However, retailers are fighting back with different formats.¹⁷ Lifestyle centers that mimic small-town retailing of the past with sidewalks, restaurants, and parks, in an outdoor setting, are emerging to generate excitement and adapt to the changing shopping habits of consumers. Brand stores are emerging as major sales volume outlets as well as promotional devices for brands, such as Levi's, Nike, and Reebok. Stores within stores are also being tried. Walmart has eyeglasses, banks, and restaurants all under one roof. Giant superstores such as Walmart and Home Depot are experimenting with smaller versions of its larger stores.¹⁸



ILLUSTRATION 17-3

One way store-based retailers add value for their customers is by providing a fun shopping environment as shown by this Mall of America Visitors Guide.

Apart from different formats, traditional department stores have tried to create “destination areas” within their stores that enhance their overall image and drive ongoing store traffic. For example, Macy’s has bridal salons in select locations, and Target and Kmart offer designer collections to draw consumers in.¹⁹ In fact, Target’s use of designer fashion collections has created a trendier image than that created by Walmart and others.

More and more, retailers are trying to enhance the experiential component of their stores through layout, music, personal shoppers, and so on. Some stores are targeted at the experiential component. American Girl stores don’t just sell dolls; they also offer experiences such as dining and parties! Part of this appears to play off of the socialization of children to the shopping experience as well as mother–daughter and father–daughter shopping experiences (see Chapter 6). Similarly Bass Pro Shops sell products, but also have aquariums to showcase fish, a shooting range, a restaurant, and so on. Dick’s Sporting Goods has a golf club test range for trying and fitting golf clubs to the individual, and some locations even have a rock climbing wall!

As you can see, as the functionality of the web has made competing on that dimension more difficult for traditional retailers, they are focusing on becoming giant entertainment centers, an emphasis on the social element. For example, the Mall of America near Minneapolis is built around an amusement park. It also has a miniature golf course, nightclubs, theme restaurants, and an aquarium (see Illustration 17–3). Retailing is clearly an exciting, competitive area. Those retailers who best understand their consumers will be the ones to prosper in the future.

The Internet as Part of a Multi-Channel Strategy

Most retailers are not solely online. Instead, they engage in multi-channel marketing, meaning they utilize multiple retail channels to reach their customers. Various channels include physical stores, the Internet, catalogs, and so on. A multi-channel approach can



Converting Website Visitors to Buyers

With about 90 percent of U.S. adults online and roughly two-thirds having made an online purchase, online sales will only grow by increasing how frequently and how much consumers buy online. The following provides a set of guidelines for online retailers to help them convert website visitors to buyers.

- *Appropriate Landing Page.* Bad landing pages can be purchase killers. An example is clicking on an Esurance-sponsored link after searching for homeowner's insurance and having the landing page be about *auto* insurance. Companies are trying to target their landing pages specifically to the type of consumer who is clicking through. For example, Elite Island Resorts set up two landing pages to target different travel buyers.²⁰
- *Deal with Privacy and Security Concerns.* Online privacy and security are top online buying deterrents and represent billions in lost sales. **Online privacy concerns** relate to consumer fears regarding how personal information about them that is gathered online might be used. Online privacy concerns include targeting children, being inundated with marketing messages, and identity theft.²¹

Four approaches to reducing online privacy concerns seem possible. First is direct control through

“opt-in” features that let consumers choose directly how their information is used.²² Second is the use of direct trust signals such as privacy statements and the incorporation and communication of security verification systems such as VeriSign.²³ These signals can increase trust, reduce privacy concerns, and enhance purchases, but sometimes they do not. A third approach is to use an indirect signal relating to a firm's investment in its website. An example would be a firm that uses “Shockwave technology to allow a user to experience an online demonstration and roll over the product image to gather additional information,” versus one that conveys the same information but does so “through text and static graphics.” Research shows that when consumers perceive that firms have invested more in their website, this increases trust and online purchase likelihood.²⁴ A final approach is to use brand as an indirect signal of trust. Research shows that consumers are more likely to provide transaction-specific information to a trusted retailer than to one with whom they are unfamiliar.²⁵

The approach a firm should use depends on the type of web visitor, with searchers (search-task directed) more responsive to the indirect website investment signal and browsers (pleasure

take many forms and can be successful for a number of reasons. For example, regional in-store retailers such as that shown in Illustration 17–4 can use the Internet to instantly become national and international in scope. On the flip side, the Internet allows traditional retailers such as JCPenney and Saks Fifth Avenue to reach smaller communities where they could not otherwise operate economically.

The increase in multi-channel marketing reflects shifts in consumer shopping. Consumers are increasingly likely to be **multi-channel shoppers**—that is, consumers who browse and/or purchase in more than one channel. Research suggests that²⁶

- The most common form is online to store (search online, buy at a physical store). This is the preferred style for over 75 percent of multi-channel shoppers, followed distantly by roughly seven percent of shoppers who prefer to search in the store and buy online.
- Roughly 78 percent of Internet shoppers utilize two or more channels to browse and buy.

directed) more responsive to the direct privacy statement signal.

- *Deal with Lack of Touch.* The lack of touch or ability to physically handle, test, or try products prior to purchase is a top concern and affects product categories such as apparel and home decorating, where it can be difficult to simulate experience attributes (e.g., fit for apparel, color and texture for home decorating).²⁷ Internet marketers are becoming much more sophisticated in terms of creating *virtual product experiences* using such techniques as 3-D simulations and rich media, made practical by the increased penetration of broadband. In the apparel area, for example, “virtual try-on” functionality allows consumers to see how clothing looks on a model. MVM (My Virtual Model) allows consumers to create their own model and try on various fashion brands and styles.²⁸
- *Deal with Lack of Social Element.* In-store retailing allows for the social element, which is a major shopping motive and lacking in many online shopping sites. To deal with this, some online retailers are creating sites that incorporate a social shopping experience. One example is Kaboodle, which combines online shopping with social networking to allow consumers to shop online with their friends. Also, online retailers like Lands’ End are increasingly adding video and text chat with a sales

associate. An even more social dimension is being created by “humanlike” online assistants such as IKEA’s Anna. Such assistants lead to perceptions that the website is more social, which creates positive emotions and increases purchase intentions.²⁹

- *Deal with Shopping Cart Abandonment.* Roughly 70 percent of all shopping carts that consumers start get abandoned prior to a purchase. That’s a lot of revenue left on the table and marketers are seeing the opportunity. One recent study found that e-mail campaigns that are specifically targeted (e.g., mention the items abandoned, promote core brand values, provide some sort of promotion because price and delivery charges are often major factors) and timed (after 24 hours, 90 percent of abandoned carts will stay that way). Done correctly, one estimate is each e-mail (or series in a campaign) to a consumer who abandoned an online cart yields an average of \$17.90, meaning those who abandon carts can be re-engaged and converted to buyers.³⁰

Critical Thinking Questions

1. What other strategies can online retailers use to increase the purchase likelihood of website visitors?
2. Do you think the social element even matters online? Explain.
3. Why do you think campaigns targeting shopping cart abandonment are so successful?

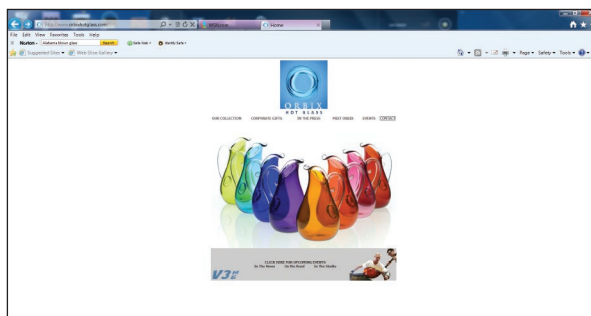
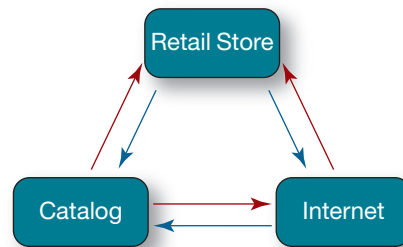


ILLUSTRATION 17-4

An Internet sales site instantly converts a local or regional firm into a national and even international one.

- Multi-channel shoppers have higher incomes and spend 15 to 30 percent more with a retailer than single-channel shoppers.
- Similar multi-channel shoppers and shopping patterns exist in Europe.

FIGURE 17-1 Multi-Channel Shoppers Browse in One Channel and Purchase in Another


Note: Search → Buy
 Red line = greater influence
 Blue line = lesser influence

Source: DoubleClick Multi-Channel shopping study—
 Holiday 2003, www.internetretailer.com, January 2004.

Retail channels tend to be complementary, as shown in Figure 17–1, because no retailing format is optimal on all dimensions. Thus, the Internet can be used to overcome a lack of informed salespeople or the inconvenience of researching products in-store, while in-store can provide “touch” and immediacy of purchasing.³¹ Figure 17–1 also emphasizes the ongoing importance of catalogs as drivers of both online and retail store purchases, even though, early on, catalogs were predicted to die at the hand of Internet retailing.

Mobile as Part of an Omni-Channel Strategy

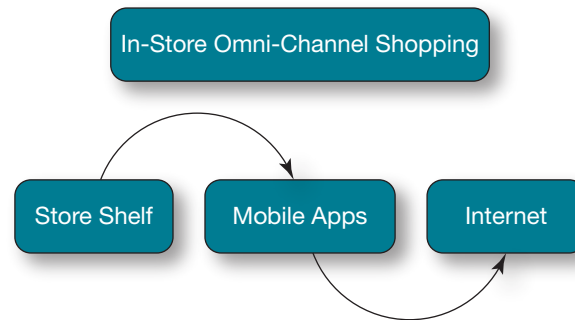
A new form of shopper called the *omni-channel shopper* is emerging due to the emergence of mobile shopping apps. **Omni-channel shoppers** are *consumers who browse and/or purchase in more than one channel simultaneously*. That is, while in a store, they might scan a product’s bar code into a mobile shopping app that takes them to the web and compares prices for that branded item across several local stores. Or they might use a mobile app that looks for deals and coupons at that store. Or they might search the Internet using their phone to get more information about the product or find online recommendations. The key is simultaneous channel engagement. In the examples just mentioned, the channels are in-store, mobile, and Internet. Figure 17–2 depicts omni-channel shopping, where three channels are being engaged simultaneously within a physical store as enabled by mobile apps that access the Internet.

Omni-channel shoppers are digital savvy, with heavy reliance on mobile and mobile shopping apps. Omni-channel shoppers are younger Gen Yers as well as upscale and tech-savvy Gen X and older Gen Yers. Omni-channel shoppers spend 15 to 30 percent more with a retailer than multi-channel shoppers and are a critical new target for retailers. Consider the following statement by a Macy’s executive:

We talk a lot at Macy’s about “omnichannel” retailing. Our customer is multi-dimensional. She is busy at work and out with friends. She always has her mobile device in her hand. She’s active on Facebook and Twitter and YouTube and a dozen other social media sites. We want that customer to be able to interact with Macy’s no matter where she is or how she shops. It makes no difference to us whether she buys something in our store or online, or whether she is shopping from her desktop computer or her Droid or her iPad. Macy’s best customers are those who shop us in-stores and online. We have a whole series of strategies in place to drive our store customers to the Web, and our online customer to the stores. Today’s customer is not monolithic. And that’s the way we are approaching our customer.³²

Omni-Channel Shoppers Browse and Purchase in Multiple Channels Simultaneously

FIGURE 17-2



Marketing across channels, though rewarding in terms of consumer spending, is quite challenging. Consider the major task of coordinating a seamless look and feel across channels, while making sure to be plugged into the appropriate mobile apps and optimized for the major search engines. Major tech companies like IBM are now advising companies like Macy's about how to best handle such issues. Consumer Insight 17-2 explores additional examples and approaches to multi- and omni-channel consumers and marketing.

ATTRIBUTES AFFECTING RETAIL OUTLET SELECTION

The selection of a specific retail outlet involves a comparison of the alternative outlets on the consumer's evaluative criteria. This section considers a number of evaluative criteria commonly used by consumers to select retail outlets. While much of the research on outlet selection relates to choosing among retail stores (e.g., JCPenney versus Sears), when applicable we also draw linkages to choosing among online retailers (e.g., Buybooks.com versus Amazon.com) based on emerging evidence.

L03

Outlet Image

A given consumer's or target market's perception of all the attributes associated with a retail outlet is generally referred to as the **store image**. This is the same as the concept of *brand image* discussed in Chapter 9. One study found the following nine dimensions and 23 components of these nine dimensions of store image.³³ Notice that the store atmosphere component is primarily affective, or feeling in nature.

Store Image	
Dimension	Components
Merchandise	Quality, selection, style, and price
Service	Layaway plan, sales personnel, easy return, credit, and delivery
Clientele	Customers
Physical facilities	Cleanliness, store layout, shopping ease, and attractiveness
Convenience	Location and parking
Promotion	Advertising
Store atmosphere	Congeniality, fun, excitement, comfort
Institutional	Store reputation
Posttransaction	Satisfaction

Source: J. D. Lindquist, "Meaning of Image," *Journal of Retailing*, Winter 1974, pp. 29-38.



Multi-Channel Shopping

IKEA, the giant Swedish retailer of all things for your home, has giant brick-and-mortar showroom stores well known for their meandering pathways that encourage wanderings throughout the store—the better for consumers to see and buy things. IKEA also has an easy-to-navigate website from which consumers can order goods. Plus it mails a catalog to consumers’ homes. Even with this “triple threat” IKEA still has not solved the consumer’s problem of determining how things such as sofas, chairs, and tables will look in their homes—that is, until IKEA introduced its augmented reality app. This is how it works. A consumer flipping through the IKEA catalog sees something she likes—say a sofa. She scans the page with her smartphone or tablet. Then she places the catalog where she would likely place the sofa—say against the wall and in front of the window. Using her smart device, she can see how the sofa would look in her home. The virtual reality app, available for 100 of the 300 products in the IKEA catalog, is likely to be helpful to the 14 percent of IKEA customers who buy the wrong size furniture and the 70 percent of IKEA customers who don’t know the size of their home.³⁴

Retailers who started out as pure play web stores have discovered the value and benefits of adding

brick-and-mortar stores. Warby Parker, the purveyor of stylish, boutique eyewear, is a case in point. Introduced in 2010, it successfully disrupted the eyewear industry with the implementation of its e-commerce model, selling eyewear directly to consumers. It was able to offer prices below industry standards by vertically integrating the design and manufacturing of eyewear, thereby eliminating the practice of paying (exorbitant) brand licensing fees. Taking a page out of Apple’s retail store, its newly opened Soho New York brick-and-mortar store is designed with the focus on the consumer experience. The 20-foot-wide store has the feel of an old library—terrazzo floor, brass library lamps, rolling ladders, (meticulously selected) musty books (that consumers can buy). Rather than locked behind glass cases, eyewear is out in the open for consumers to try. Consumers can view themselves in one of the mirrors that surround the store or take a photo of themselves in a custom photobooth—an experience more novel than a selfie taken with a cell phone. To complete the offering, an in-house optometrist is available seven days a week to provide \$50 eye exams booked online.

E-tailers can use their webstore data—customer characteristics and location, sales volume—to guide

This study focused on stores; the components and, probably, the dimensions will require adjusting for use with other types of retail outlets. For example, a recent study of *online retailer image* found the following seven dimensions and related components that influenced online outlet selection.³⁵ *Which dimensions and components of store image translate the most to an online context and which the least?*

Online Retailer Image	
Dimension	Components
Usefulness	Good product offers and information, value, aligned with interests
Enjoyment	Fun, attractive, pleasant to browse
Ease of use	Easy to use and navigate, flexible site
Trustworthiness	Reputation, information safety and security
Style	Helpful, friendly, knowledgeable, calm
Familiarity	Advertising online and offline, general familiarity
Settlement	Fast and flexible delivery and transactions

Source: Reprinted from H. van der Heijden and T. Verhage, “Online Store Image,” *Information and Management* 41 (2004), pp. 609–17.

decisions for their physical store—store location, store size, merchandise. For example, analysis of its web shopper guided webstore Bonobos, the purveyor of upscale men's clothing, to open its physical stores, Guideshop, to solve the problem of customers' desire to try on clothes before they buy them online. Customers make appointments (usually lasting 45 minutes) to visit a Guideshop store for fittings. Guideshops are smaller stores (700 square feet) that carry sufficient inventory—khaki chinos in all 11 waist sizes and 4 inseam lengths—for store personnel to fit and size customers. Customers can then purchase clothing from the Bonobos website during their visit or at a later time of their choosing.

Analysis of webstore data may suggest that rather than a flagship store, the e-tailer is better served with a less expensive pop-up store in a high foot traffic area for a short amount of time (a few days to several months). This is an option that Etsey, seller of handmade products, and even eBay, the online auction house, have used. Like an old-fashioned craft fair, Etsy's pop-up stores provided a physical space for its sellers to showcase their handmade products. Sellers used laptops to show their inventory and used smart devices to transact sales using Paypal and Square. E-bay's first physical store, its Christmas emporium in London, was housed in a container box. Opened for four days of holiday shopping, it attracted 2,500 customers. The store's virtual

inventory consisted of 350 top-rated products projected onto walls, each accompanied by social media recommendations and bearing a QR (quick response) code that consumers could scan with mobile devices to pay eBay. By establishing an offline presence, these online retailers are doubling down benefits from the interaction of their physical and web markets. Physical stores showcase selected merchandise that consumers can touch and feel while relying on their e-stores' virtual merchandise for their backroom inventory. The physical store can attract new customers while simultaneously creating buzz for its web market customers.

Critical Thinking Questions

1. What products are currently marketed web-only that in your opinion should remain web-only versus those that should consider establishing a (permanent, pop-up) physical store?
2. Some traditional retailers (Macy's, Nordstrom's, Walmart) have made themselves multi-channel. They have established web stores, allowing customers the convenience to buy online and return in store. Has this convenience encouraged you to buy products that you otherwise wouldn't have?
3. Would you consider yourself an omni-channel shopper? What is the value of this approach to you as a consumer?

As these studies suggest, overall retailer image (both Internet and store-based) relates to both functional and affective dimensions. The importance of the affective component cannot be overstated.

Marketers make extensive use of image data in formulating retail strategies.³⁶ First, marketers control many of the elements that determine an outlet's image. Second, differing groups of consumers desire different things from various types of retail outlets. Thus, a focused, managed image that matches the target market's desires on both affective and functional elements is essential for most retailers. For example, fashion retailers build affective image by relying on designer collections to enhance their high-end, fashion-forward appeal, as shown in Illustration 17-5.

Other outlets focus on more functional attributes. For example, Amazon.com and Buy.com focus heavily on breadth of merchandise and price. And stores like 7-Eleven focus almost exclusively on convenience (easy access, extended hours, and quick service) for consumers in those situations where convenience is the key attribute.



ILLUSTRATION 17-5

Designer collections are one way retailers can enhance their image and position their stores appropriately for their target customers.

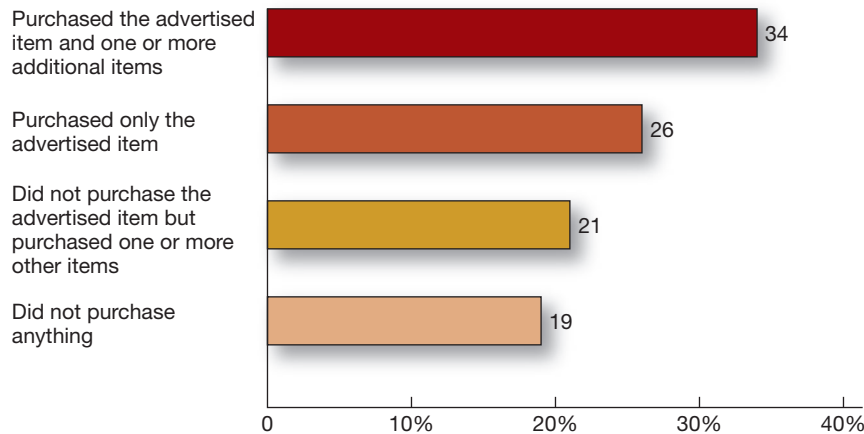
Retailer Brands

Closely related to store image are **store brands**. At the extreme, the store or outlet is the brand. The Gap, Victoria's Secret, and Body Shop International are examples. All the items carried in the store are the store's own brand. Traditionally, retailers carried only manufacturers' brands, and only a few, such as Sears and Montgomery Wards, developed their own house or store brands. In the 1970s, many stores began to develop store brands as low-price alternatives to national brands, and many continue with this approach.³⁷

Increasingly, however, retailers such as Walmart and Target are developing and promoting high-quality brands with either the store's name or an independent name. Such brands not only provide attractive margins for these outlets; if they are developed appropriately, they also become an important attribute of the outlet. That is, they are another reason for the consumer to shop that store.³⁸ And importantly, no other outlet can carry this brand. The key to success of store brands seems clear—high quality at a reasonable price. The traditional pattern of providing reasonable quality at a low price is no longer necessarily optimal.³⁹ In fact, emphasizing quality over price may be particularly beneficial if the brand carries the store's name or will become associated with the store. In fact, a recent study finds that, at least up to a point, increased consumer use of retailer brands (e.g., Target's Archer Farms) leads to increased loyalty to that retailer (Target).⁴⁰

Expenditures of Individuals Drawn to a Store by an Advertised Item

FIGURE 17-3



Retail Advertising

Retailers use advertising to communicate their attributes, particularly sale prices, to consumers. It is clear that price advertising (traditional, online, and mobile) can attract people to stores. Revealing results were obtained in a major study involving newspaper ads in seven cities for a range of product categories (motor oil, sheets, digital watches, pants, suits, coffee makers, dresses, and mattresses). The impact of the retail advertisements varied widely by product category. For example, 88 percent of those who came to the store in response to the advertisement for motor oil purchased the advertised item, compared with only 16 percent of those responding to the dress ad. Approximately 50 percent of the shoppers overall purchased the advertised item that attracted them to the store.

As Figure 17-3 illustrates, purchases of the advertised item understate the total impact of the ad. *Sales of additional items to customers who came to purchase an advertised item* are referred to as **spillover sales**. Spillover sales in this study equaled sales of the advertised items; that is, for every \$1 spent on the sale item by people who came to the store in response to the advertising, another \$1 was spent on some other item(s) in the store.⁴¹

Another study produced the results shown below:⁴²

Action	Reason for Visiting Store	
	Purchase Promoted Item	Other Reason
Dollars spent on promoted items	\$11.30	\$ 3.27
Dollars spent on regular items	18.48	21.90
Total	<u>\$29.78</u>	<u>\$25.17</u>
Store profit	\$ 5.64	\$ 5.77

Retailers evaluating the benefits of price or other promotions must consider the impact on overall store sales and profits, not just those of the advertised item. And while a large percentage of retail advertising stresses price, particularly sales price, studies continue to show that price is frequently not the prime reason consumers select a retail outlet.⁴³ Thus, many retailers could benefit by emphasizing service, selection, or the affective benefits

of their outlets. Affective benefits may be particularly effective for hedonic rather than utilitarian products.⁴⁴

Online retailers advertise in mass media both to attract consumers to their sites and to build an image. Price and value are clearly important attributes for online shoppers,⁴⁵ and many sites promote this feature. In addition, recent research suggests that customization of online promotions such as e-mail to better match the characteristics and needs of target customers can dramatically increase online store traffic.⁴⁶

Price Advertising Decisions Retailers face three decisions when they consider using price advertising:

1. How large a price discount should be used?
2. Should comparison or reference prices be used?
3. What verbal statements should accompany the price information?

Consumers tend to assume that any advertised price represents a price reduction or sale price. Showing a comparison price increases the perceived savings significantly. However, the strength of the perception varies with the manner in which the comparison or reference price is presented. A **reference price** is a price with which other prices are compared. In the claim, “Regularly \$9.95, now only \$6.95,” \$9.95 is the reference price. An **external reference price** is a price presented by a marketer for the consumer to use to compare with the current price. An **internal reference price** is a price or price range⁴⁷ that a consumer retrieves from memory to compare with a price in the market.⁴⁸

Although there are situational influences and individual differences,⁴⁹ most consumers understand external reference prices and are influenced by them but do not completely believe them.⁵⁰ The reason for the lack of belief is the practice of some retailers of using inflated reference prices. These inflated prices could be “suggested list prices” in markets where virtually all sales are at a lower level. Or they may reflect prices that the store set for the merchandise originally that were too high and produced few sales. The price reduction being shown then merely corrects an earlier pricing error but does not provide meaningful benefit to the consumer. Because price and sale advertising have a strong impact on consumer purchases, the FTC and many states have special guidelines and regulations controlling their use.⁵¹

The best approach for retailers seems to be to present the sale price and (1) the dollar amount saved if it is large, (2) the percentage saved when it is large, and (3) both if both are large. Thus, \$10 savings on a \$200 item should show the dollar savings but not the percentage savings. A \$10 saving on a \$20 item could emphasize both the dollar and the percentage savings. A \$1 saving on a \$3 item should focus on the percentage savings.⁵² The regular price could be shown in any of these conditions.⁵³ The regular price (the price on which the savings are calculated) should be the price at which the store normally sells a reasonable volume of the brand being discounted.

Such words or phrases as “now only,” “compare at,” or “special” appear to enhance the perceived value of a sale. However, this varies by situation, initial price level and discount size, consumer group, and retail outlet.⁵⁴ Is “50 percent off” or “buy one, get one free” likely to be perceived as a better value? It depends in large part on the nature of the item being promoted. For stock-up items such as detergent, they are viewed as equivalent. However, for perishable items such as bread, the “50 percent off” is seen as a better value.⁵⁵

Retailers need to use caution in how they use price advertising. Such advertising signals not only the price of the advertised items but also the price level of the store.⁵⁶ And because price level, quality, service, and other important attributes are often linked in the consumer’s mind, inappropriate price advertising can have a negative effect on the store’s image.⁵⁷

VIZIO 70" HDTV AVAILABLE AT TARGET.COM

VIZIO Only \$854.99 with your REDcard **899.99** 60" 1080p 100Hz SMART LED HDTV. SAVE \$100, reg. \$999.99. TV services measured diagonally. Screen with calculated picture.

17' Q5 6-ft. HDMI cable

SALE \$69.99, Samsung large wall mount with tilt for TVs 32"-70"

LG Only \$712.49 with your REDcard **749.99** 47" 1080p 100Hz SMART LED HDTV. SAVE \$150, reg. \$899.99

VIZIO Only \$227.99 with your REDcard **239.99** 29" LED HDTV. SAVE \$100, reg. \$339.99

YouTube Netflix Hulu Plus Facebook

HDTV SAVINGS
advance your home theater

Save \$30 **269.99** SALE reg. 299.99 Samsung 38" soundbar with wireless subwoofer. No HW7400.

NEW AT TARGET **99.99** Roku 3 wireless streaming player. Access over 750 channels of movies, TV shows, live sports, music and more. Roku HD streaming player, \$99.99

5% OFF
EVERY DAY WITH YOUR REDcard

SAVE AN EXTRA 5% OFF our already low prices every day with your debit or credit REDcard

ILLUSTRATION 17-6

This sale ad focuses primarily on the dollar savings. Should the percentage savings also be stressed?

The ad in Illustration 17–6 places primary emphasis on the dollar savings but not the reference price or the sale price. To the extent that the target audience “knows” that the regular price for this item is high, they will use this internal reference price or range in making a judgment. And because the dollar savings are relatively large, the research we have reviewed suggests that presenting the dollar savings is sound strategy.

Outlet Location and Size

Location plays an important role in consumer store choice. If all other things are approximately equal, the consumer generally will select the closest store.⁵⁸ Likewise, the size of an outlet is an important factor. Unless the customer is particularly interested in fast service or convenience, he or she would tend to prefer larger outlets over smaller outlets, all other things being equal.⁵⁹ Interestingly, some of the major online players are “superstores” such as Amazon.com. Thus, retailer size appears to play a role online as well.

The **retail attraction model**, also called the **retail gravitation model**, is used to calculate the level of store attraction based on store size and distance from the consumer. In the retail gravitation model, store size is measured in square footage and assumed to be a measure of breadth of merchandise. The distance or travel time to a store is assumed to be a measure of the effort, both physical and psychological, to reach a given retail area.

The effect of distance or travel time varies by product.⁶⁰ For a convenience item or minor shopping good, distance is important because shoppers are unwilling to travel very far for such items. However, major high-involvement purchases such as automobiles or specialty items such as wedding dresses generate greater willingness to travel.

Willingness to travel also varies with the size of the shopping list for that trip.⁶¹ Thus, a consumer who would not be willing to travel very far to purchase three or four convenience items may willingly go much farther if 20 or 30 such items are to be purchased on the same trip.

Consumers often combine shopping trips and purposes.⁶² Thus, a consumer may visit a health club, have lunch with a friend, pick up the laundry, shop for food for the next few days, and pick up a prescription on one trip. Thus, retail patronage is in part a function of an outlet's location in relation to other outlets and consumers' travel patterns. Combining outlets or adding departments in response to such shopping patterns can produce value for customers and increased revenue for the firm.⁶³ For example, many supermarkets also have pharmacies.

CONSUMER CHARACTERISTICS AND OUTLET CHOICE

The preceding discussion by and large has focused on store attributes independently of the specific characteristics of the consumers in the target market. However, different consumers have vastly differing desires and reasons for shopping. This section of the chapter examines two consumer characteristics that are particularly relevant to store choice: perceived risk and shopper orientation.

Perceived Risk

The purchase of products involves the risk (see Chapter 15) that they may not perform as expected. Such a failure may result in a high

- *Social cost* (e.g., a hairstyle that is not appreciated by one's peers).
- *Financial cost* (e.g., an expensive pair of shoes that become too uncomfortable to wear).
- *Time cost* (e.g., a television repair that requires the set to be taken to the shop, left, and then picked up later).
- *Effort cost* (e.g., a flash drive that is loaded with several hours of work before it fails).
- *Physical cost* (e.g., a new medicine that produces a harmful side effect).

The first of these is generally termed *social risk*; the next three are often considered to be *economic risk*. Product categories vary in the level and type of risk generally associated with them.⁶⁴ Table 17–1 shows that socks and gasoline are low in economic and social risk, while hairstyles and small gifts are low in economic risk but high in social risk. Other products, such as personal computers and auto repairs, are low in social risk but high in economic risk. Finally, automobiles and living room furniture are high in both economic and social risk.⁶⁵ Table 17–1 also indicates the role of the situation in perceived risk. Wine is shown as low in both social and economic risk when used for personal consumption but high in social risk when served while entertaining.

The perception of these risks differs among consumers, depending in part on their past experiences and lifestyles. For this reason, **perceived risk** is considered a consumer characteristic as well as a product characteristic.⁶⁶ For example, while many individuals would feel no social risk associated with the brand of car owned, others would.

Like product categories, retail outlets are perceived as having varying degrees of risk. Traditional outlets are perceived as low in risk, whereas more innovative outlets such as online are viewed as higher risk.⁶⁷

The Economic and Social Risk of Various Types of Products

TABLE 17-1

Social Risk	Economic Risk	
	Low	High
Low	Wine (personal use) Socks Kitchen supplies Pens/pencils Gasoline	Personal computer Auto repairs Clothes washer Insurance Doctor/lawyer
High	Fashion accessories Hairstyles Gifts (inexpensive) Wine (entertaining) Deodorant	Business suits Living room furniture Automobile Snowboard Ski suit

The above findings lead to a number of insights into retailing strategy,⁶⁸ including the following:

- Nontraditional outlets need to minimize the perceived risk of shopping, particularly if they sell items with either high economic or social risk. Lands' End attempts to reduce perceived risk by emphasizing toll-free ordering, 24-hour toll-free customer service telephones with trained assistants, and a 100 percent satisfaction guarantee. Word-of-mouth from satisfied customers reinforces these advertised policies.
- Nontraditional outlets need brand-name merchandise in those product categories with high perceived risk. Most Internet retailers feature such items.
- Traditional outlets and websites of well-known retailers have a major advantage with high-perceived-risk product lines. These lines should generally be their primary strategy focus. Low-risk items can be used to round out the overall assortment.
- Economic risks can be reduced through warranties, reasonable return policies, security verification systems, and so forth. As we've seen, such factors are critical to online shopping where financial security concerns are high. Social risk is harder to reduce. A skilled sales force, known brands, and satisfaction guarantees can help reduce this type of risk.

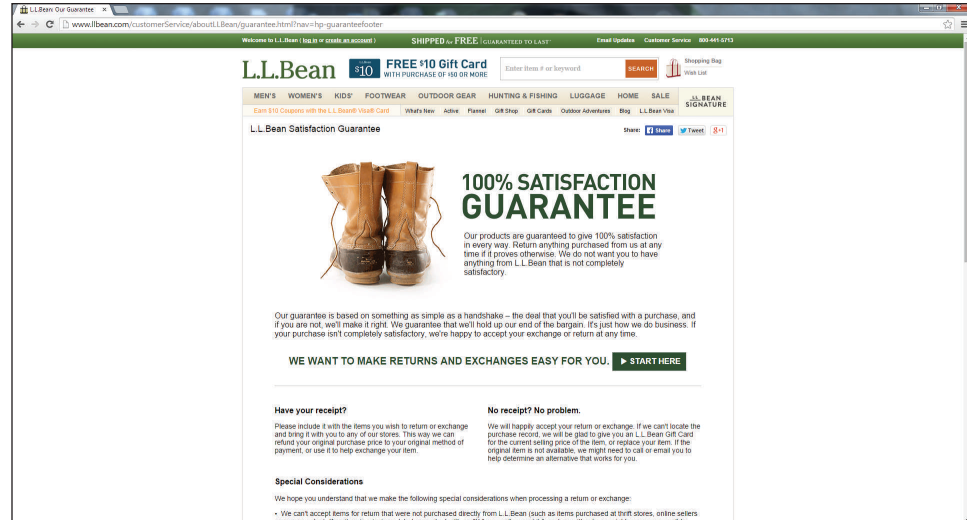
Illustration 17-7 shows how one retailer reduces perceived risk by providing a product-replacement guarantee.

Shopping Orientation

Individuals go shopping for more complex reasons than simply acquiring a product or set of products. Diversion from routine activities, exercise, sensory stimulation, social interactions, learning about new trends, and even acquiring interpersonal power ("bossing" clerks) are nonpurchase reasons for shopping.⁶⁹ Of course, the relative importance of these motives varies both across individuals and within individuals over time as the situation changes.⁷⁰ See again Illustration 17-3, which shows how malls can provide an inviting environment for activities in addition to shopping.

ILLUSTRATION 17-7

Guaranteeing complete satisfaction no matter what can greatly reduce the perceived risk of a purchase, particularly one made via catalog or online.



A shopping style that puts particular emphasis on certain activities or shopping motivations is called a **shopping orientation**. Shopping orientations are closely related to general lifestyle and are subject to similar influences. A recent study examined the shopper motivations of consumers across four different types of retailers (traditional malls, outlet malls, discount stores, and category killers) and found five shopping orientation segments that operated across all four types of retailers.⁷¹

1. *Apathetic Shoppers* (16 percent of mall shoppers) have no particular shopping motive and are “indifferent toward shopping.”
2. *Enthusiast Shoppers* (22 percent of mall shoppers) enjoy shopping and are motivated by many aspects of shopping including recreational and social aspects, and “obtain entertainment value” from shopping.
3. *Destination Shoppers* (21 percent of mall shoppers) are motivated primarily by the anticipated utility of obtaining brand name and image-enhancing products and not by other factors such as socializing.
4. *Basic Shoppers* (22 percent of mall shoppers) are motivated primarily by getting exactly what they want in the least amount of time. Shopping is necessary but not recreational or social.
5. *Bargain Seekers* (20 percent of mall shoppers) are motivated by their perceived role as a shopper who gets good deals and lower prices. Recreational and social aspects of shopping are not of interest.

Clearly *Destination Shoppers* may seek out boutique shops to find their brand name products. However, they also shop at Target and other discounters who have added designer labels to their line-up. And attracting *Enthusiast Shoppers* requires the addition of recreational and social aspects to the retail environment to keep it fun and interesting. Music, layout, store personnel, and displays all work together to create such environments. *Bargain Seekers* may not be the appropriate target for all retail stores, but traditional malls are now adding such retailers as Walmart and Home Depot as anchor stores to cater to the needs of this segment. And *Basic Shoppers* are being offered the convenience of such service-oriented retailers as Lens Crafters and Supercuts.

IN-STORE AND ONLINE INFLUENCES ON BRAND CHOICES

L04

It is not uncommon to enter a retail outlet with the intention of purchasing a particular brand but to leave with a different brand or additional items. Influences operating within the retail outlet induce additional information processing and subsequently affect the final purchase decision. This portion of the chapter examines seven variables that singularly and in combination influence brand decisions inside a retail outlet (either a store or website): *point-of-purchase materials, price reductions, outlet atmosphere, stockout situations, website design, mobile and mobile apps, and sales personnel*. We begin by examining the extent and nature of unplanned purchases.

The Nature of Unplanned Purchases

The fact that consumers often purchase brands different from or in addition to those planned has led to an interest in unplanned purchases. **Unplanned purchases** are defined as *purchases made in a retail outlet that are different from those the consumer planned to make prior to entering that retail outlet*. While the term *unplanned purchase* implies a lack of rationality or alternative evaluation, this is not necessarily true. For example, the decision to purchase Del Monte rather than Green Giant peas because Del Monte is on sale is certainly not illogical.

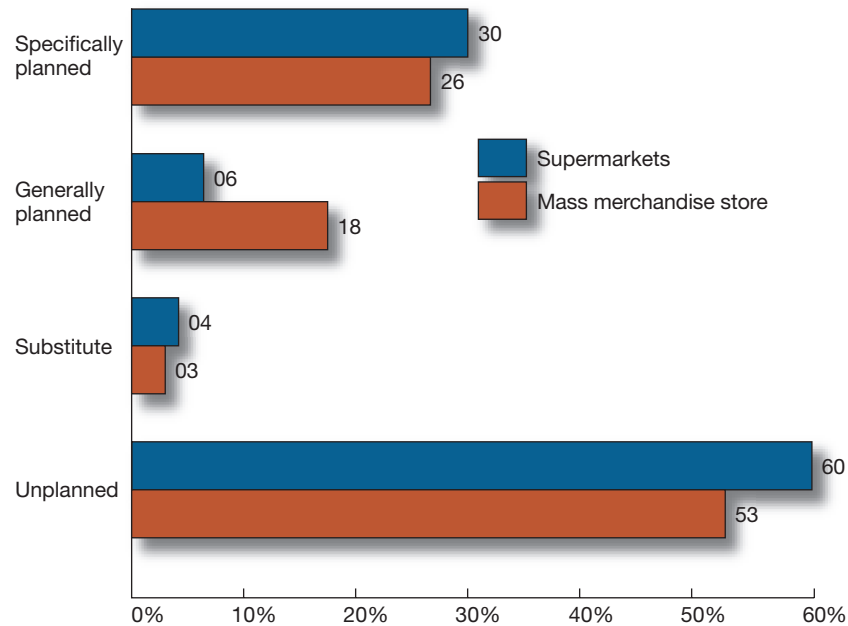
Viewing most in-store and online purchase decisions as the result of additional information processing within the retail outlet leads to more useful marketing strategies than does viewing such purchases as random or illogical.⁷² This approach allows the marketer to utilize knowledge of the target market, its motives, and the perception process to increase sales of specific items. Point-of-Purchase Advertising International (POPAI) uses the following definitions regarding in-store purchases:

- *Specifically planned.* A specific brand or item decided on before visiting the store and purchased as planned.
- *Generally planned.* A prestore decision to purchase a product category such as vegetables but not the specific item.
- *Substitute.* A change from a specifically or generally planned item to a functional substitute.
- *Unplanned.* An item bought that the shopper did not have in mind on entering the store.
- *In-store decisions.* The sum of generally planned, substitute, and unplanned purchases.

Unplanned purchases as defined above can be further subdivided into two categories: reminder purchases and impulse purchases. A *reminder purchase* would occur when a consumer notices Band-Aids in a store and remembers that she is almost out at home.⁷³ An **impulse purchase** would occur when a consumer sees a candy bar in the store and purchases it with little or no deliberation as the result of a sudden, powerful urge to have it.⁷⁴

Figure 17–4 and Table 17–2 illustrate the extent of purchasing (in the United States and Canada) that is not specifically planned. It reveals that consumers make most item or brand decisions *after* entering the store. Interestingly, high levels of in-store decision making have also been found in the United Kingdom (76 percent), France (76 percent), Belgium (69 percent), Holland (80 percent), Australia (70 percent), and Brazil (88 percent).⁷⁵ *Can you explain differences in terms of cultural values?*

The research by POPAI regarding in-store decision rates has recently been confirmed by a 2008 OgilvyAction study of “six retail channels in the U.S.” based on nearly 7,000 shopper intercept interviews. From this, they concluded that “72.4 percent of shoppers make in-store purchase decisions at the category, brand or quantity level.”⁷⁶

FIGURE 17-4 Supermarket Decisions: Two-Thirds Are Made In-Store

Source: 1995 POPAI Consumer Buying Habits Study (Washington, DC: Point-of-Purchase Institute, 1995), p. 18, www.popai.com.

TABLE 17-2 In-Store Purchase Behavior

Product	Specifically Planned	Generally Planned	+	Substituted	+	Unplanned	=	In-Store Decisions
Total study average*	30%	6%		4%		60%		70%
Hair care*	23	4		5		68		77
Magazines/newspapers*	11	3		1		84		89
Oral hygiene products*	30	5		5		61		71
Automotive oil*	21	–		–		79		79
Tobacco products*	32	6		–		61		68
Coffee*	42	5		6		47		58
First-aid products*	7	10		–		83		93
Cereal*	33	9		6		52		67
Soft-drinks*	40	3		5		51		60
Mixers	23	6		4		68		77
Fresh fruits, vegetables*	67	7		1		25		33
Cold remedies†	28	35		19		18		72
Toothpaste/toothbrushes†	38	31		16		15		62
Antacids/laxatives†	39	37		12		12		61
Facial cosmetics†	40	34		11		15		60

Sources: *1995 POPAI Consumer Buying Habits Study (Englewood, NJ: Point-of-Purchase Advertising Institute, 1995);

†1992 POPAI/Horner Canadian Drug Store Study (Englewood, NJ: Point-of-Purchase Advertising Institute, 1992).

However, overall statistics can hide the fact that the rate of in-store and unplanned purchasing varies by product, consumer, and situation.

- **Product.** You may have noticed in Table 17–2 that some grocery items such as fresh fruits and vegetables, soft drinks, coffee, and antacids have relatively higher specifically planned rates. The rates of planning look even higher if you include generally planned. Interestingly, a recent grocery shopping study found that “94 percent of U.S. households prepare a written shopping list prior to grocery shopping, and 72 percent of shoppers never or only occasionally buy items not on the list.”⁷⁷ It should be noted that grocery lists often include what POPAI would term “generally planned” and thus would still fall under “in-store” decisions. That’s because as long as consumers must make some sort of decision, be it product type, brand, or size, then there is a chance for the retailer to have influence in the store.
- **Consumer.** While overall POPAI estimates in-store decisions are made 70 percent of the time, this is higher in China (88 percent) and much lower in Germany (38 percent).⁷⁸ Considering the cultural, historical, and value-related factors that drive such differences, it is critical for marketers to understand on a country-by-country basis.
- **Situation.** When consumers choose a retailer for its lower prices and are only shopping one store during their outing (e.g., a trip to Walmart to shop for groceries for the week), unplanned purchases are higher.⁷⁹

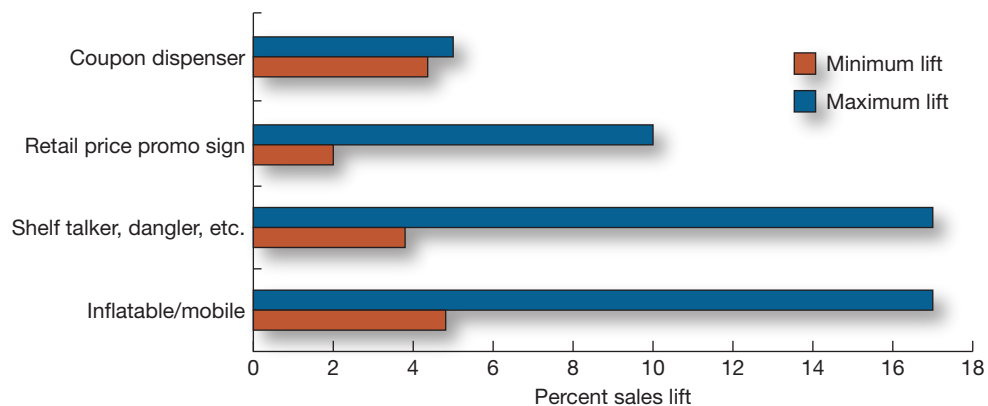
In conclusion, while the rate and nature of consumer in-store decisions vary as a function of numerous factors, consumers still make a substantial number of decisions “in-store.” Thus, marketing efforts to influence in-store decisions are substantial as well. Such efforts are discussed next.

Point-of-Purchase Materials

Point-of-purchase (P-O-P) materials are common in the retailing of many products, and the impact these materials have on brand sales can be substantial. Recent research by POPAI examined the sales increase or “lift” generated by the addition of various types of P-O-P materials in supermarkets.⁸⁰ They examined both store-shelf and product-display materials. Shelf-based materials are placed in the main shelf for the product category and include price signage, coupon dispensers, shelf talkers, and dangling signage. Product display materials are those included with product displays located at the ends of aisles (end caps), on the store floor, and so on. Figure 17–5 provides a visual representation of the lift provided by four different shelf-based P-O-P materials.

The Sales Impact of Shelf-Based Point-of-Purchase Materials

FIGURE 17-5



Source: 2001 POPAI P-O-P Measure UP: Learnings from the Supermarket Class of Trade Study (Washington, DC: POPAI, 2001), www.popai.com.

ILLUSTRATION 17-8

Point-of-purchase displays such as these Nestle displays, are effective across cultures.



This figure demonstrates that the effectiveness of P-O-P materials can vary substantially. Effectiveness can also vary across brands and products. Factors such as frequency of promotion, brand familiarity, prevalence of certain types of P-O-P, and extent of P-O-P change can influence effectiveness. Many of these factors relate to the ability to capture consumer attention (Chapter 8). Consider the following comment from a POPAI report:

When consumers visit the main shelf and the same types of P-O-P advertisements are presented from week to week and brand-to-brand, they appear to be less receptive to the message.⁸¹

Thus, the relative prevalence of price promotion signs and coupon dispensers may help to explain why they provide less lift than do other approaches. Despite variability across type, category, and brand, P-O-P materials are an important and increasingly measurable in-store influence.⁸² P-O-P materials are important globally, as shown by the Nestle displays in Illustration 17–8.

Price Reductions and Promotional Deals

Price reductions and promotional deals (coupons, multiple-item discounts, and gifts) are generally accompanied by the use of some point-of-purchase materials. Therefore, the relative impact of each is sometimes not clear.⁸³ Nonetheless, there is ample evidence that in-store price reductions affect decision making and choice.⁸⁴ The general pattern, observed in the United States, the United Kingdom, Japan, and Germany, is a sharp increase in sales when the price is first reduced, followed by a return to near-normal sales over time or after the price reduction ends.⁸⁵

Sales increases in response to price reductions come from four sources:⁸⁶

1. Current brand users may buy ahead of their anticipated needs (stockpiling). Stockpiling often leads to increased consumption of the brand because it is readily available.
2. Users of competing brands may switch to the reduced-price brand. These new brand buyers may or may not become repeat buyers of the brand.

3. Nonproduct category buyers may buy the brand because it is now a superior value to the substitute product or to “doing without.”
4. Consumers who do not normally shop at the store may come to the store to buy the brand.

High-quality brands tend to benefit more than brands from lower-quality tiers when prices are reduced, and they suffer less when prices are raised.⁸⁷

As discussed earlier under price advertising, consumers judge store quality and image in part on the basis of the number and nature of reduced-price items in the store.⁸⁸ Therefore, retailers need to carefully consider their sale price policies in view of both the sales of the discounted items and the impact these discounts will have on the store image. In addition, shoppers who purchase a large number of items at one time prefer stores with “everyday low prices”—all items in the store have relatively low prices but few are reduced beyond that level (“on sale”)—to stores with somewhat higher standard prices but many sale items.⁸⁹ Is a shirt from an Internet retailer priced at \$24.95 plus \$5.00 shipping and handling a better or worse deal than the same shirt priced at \$29.95 with shipping and handling free? Consumers tend to perceive the former to be a better deal than the latter. Research has shown that *partitioned prices* (the first scenario above) produced greater demand and a lower recalled total cost than the combined price (the second scenario).⁹⁰

Outlet Atmosphere

Store atmosphere is influenced by such attributes as lighting, layout, presentation of merchandise, fixtures, floor coverings, colors, sounds, odors, and the dress and behavior of sales and service personnel (see Chapter 13).

Atmosphere is referred to as **servicescape** when describing a service business such as a hospital, bank, or restaurant.⁹¹ **Atmospherics** is the process managers use to manipulate the physical retail or service environment to create specific mood responses in shoppers. Internet retailers also have *online atmospheres* that are determined by graphics, colors, layout, content, entertainment features, interactivity, tone, and so forth.⁹² *What type of atmosphere is portrayed in the Gardner’s Supply site shown in Illustration 17–9?*

A store’s atmosphere affects the shopper’s mood/emotions and willingness to visit and linger. It also influences the consumer’s judgments of the quality of the store and the store’s image.⁹³ Similarly, recent research shows that online atmospherics influence shopping behavior. For example, one study found that designing a website to elicit affective responses such as pleasure and arousal leads to increased willingness to browse.⁹⁴ Another study found that when a website offers restricted navigation, negative emotions (due to consumers’ felt loss of control) occur, which lead to website avoidance.⁹⁵ Perhaps more important, positive mood/emotion induced while in the store or website increases satisfaction with the store or website, which can produce repeat visits and store loyalty.⁹⁶

A major component of store atmosphere is the *number, characteristics, and behavior of other customers*.⁹⁷ Crowding must be considered because it can generate negative emotions and reduce browsing. And training staff how to appropriately deal with unruly customers is critical because the behaviors of other customers can influence the overall atmosphere.⁹⁸

Music can have a major impact on the store environment (see Chapter 13). It can influence the time spent in the store or restaurant, the mood of the consumer, and the overall impression of the outlet.⁹⁹ However, it is important to match the music to the target



ILLUSTRATION 17-9

Retail website designs such as that shown in the Gardner’s Supply website should create an appropriate atmosphere or feelings as well as provide content and functionality.

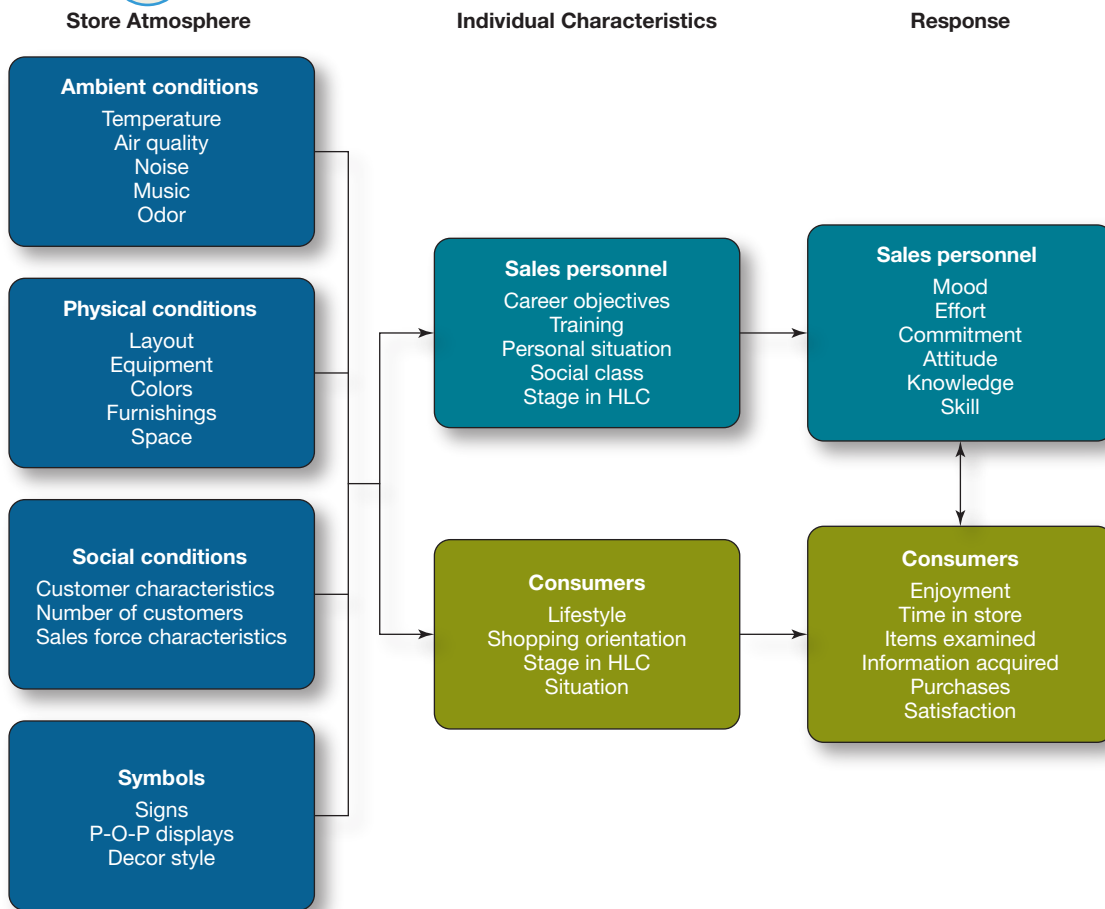
audience. As shown below, baby boomers responded positively to classic rock music in a supermarket setting, but older adults did not.¹⁰⁰

	Baby Boomers			Older Adults		
	Classic Rock	Big Band	Top 40	Classic Rock	Big Band	Top 40
Items purchased	31	11	15	4	12	14
Dollars spent	34	21	21	16	17	24
Shopping minutes	27	16	29	21	30	28

Marketers are also beginning to investigate the impact of *odors* on shopping behaviors (see Chapter 13).¹⁰¹ Early studies suggest that odors can have a positive effect on the shopping experience, particularly if they are consistent with other aspects of the atmosphere such as the music being played.¹⁰² However, like music, odor preference varies across customers, so caution must be used to ensure that the aroma is not offensive to target customers.¹⁰³

Figure 17-6 illustrates the way store atmosphere influences shopper behavior. Several aspects in this figure are noteworthy. First, the physical environment interacts with

FIGURE 17-6 Store Atmosphere and Shopper Behavior



Source: "Framework for Understanding Environment-User Relationships in Service Organizations," Figure 2 in M. J. Bitner, "Servicescapes: The Impact of Physical Surroundings on Customers and Employees," from the April 1992 issue of the *Journal of Marketing*. Used by permission.

individual characteristics. Thus, an atmosphere that would produce a favorable response in teenagers might produce a negative response in older shoppers. Second, store atmosphere influences sales personnel and customers, whose interactions then influence each other. Finally, while this model focuses on store-based retailing, emerging research will continue to advance our understanding of online atmospherics.

Stockouts

Stockouts, *the store being temporarily out of a particular brand*, obviously affect a consumer's purchase decision. The consumer must then decide whether to (a) buy the same brand but at another store, (b) switch brands, (c) delay the purchase and buy the desired brand later at the same store, or (d) forgo the purchase altogether. Stockouts can also produce negative attitudes and/or word-of-mouth concerning the original store or positive attitudes and/or word-of-mouth concerning the substitute store or brand.

Three types of perceived costs affect the likely response of a consumer to a stockout.¹⁰⁴ *Substitution costs* refer to the reduction in satisfaction the consumer believes a replacement size, brand, or product will provide. This is a function of the consumer's commitment or loyalty to the preferred brand and the perceived similarity of potential substitutes.¹⁰⁵ *Transaction costs* refer to the mental, physical, time, and financial costs of purchasing a substitute product or brand. *Opportunity costs* are the reduction in satisfaction associated with forgoing or reducing consumption of the product.¹⁰⁶

Website Functioning and Requirements

Recent research suggests that roughly 7 in 10 online shopping carts are started but abandoned prior to purchase. This means billions in potential lost sales. The top five reasons for shopping cart abandonment are as follows:¹⁰⁷

Shipping and handling costs too high	44%
Not ready to make the purchase	41
Wanted to compare prices on other sites	27
Product price higher than willing to pay	25
Wanted to save products in cart for later consideration	24

Clearly, there are many areas in which the design and functioning of retail websites can be improved. Obviously, managing shipping charges is important and companies are responding. Amazon.com offers Amazon Prime, a member-based program where consumers pay a fixed annual fee for free second-day shipping and reduced-rate overnight. Some re-targeting efforts toward abandoned carts utilize e-mail marketing campaigns focused in part on some sort of promotional deal as we saw earlier in this chapter, in part because price and delivery charges are important online components. Complexity of the online buying process is also a problem. As a consequence, online retailers are simplifying and streamlining the online checkout process.¹⁰⁸ Some companies, such as Lands' End, are offering live chat, which connects consumers to a customer service representative at any point in the checkout process to answer questions and offer help. Security is an ongoing concern. Various website strategies are possible, as we discussed earlier. In addition, credit card companies are getting into the game with *single-use numbers*. Consumers who were offered and adopted this controlled payment option increased their online purchases between 50 and 200 percent.¹⁰⁹

TABLE

17-3

Improving Website Functionality

Website Factor	Percent
More detailed product information	45
Better search capabilities	36
Live help options	29
Better navigation	26
Make it easier to contact store	25
Improve the checkout process	22
More offers tailored to my interests or needs	16
Provide better access via mobile and social media	8

Source: *Consumer Shopping Experiences, Preferences, and Behaviors* (Cambridge, MA: ATG, October 2010).

A recent study by ATG asked consumers how the online shopping experience could be improved.¹¹⁰ Many of the factors that consumers suggested appear to be capable of increasing online purchase rates. Some of the major factors are shown in Table 17-3.

Clearly consumers who abandoned carts because they were not ready (second highest reason) may have been unprepared due to their perception that they didn't have good enough information to make a choice. Thus, more detailed information and easier-to-access information (via search and navigation) should increase online purchases. Personalized offerings tend to motivate purchases because they are more directly relevant to consumer problems.

Mobile and Mobile Apps

While mobile marketing is still in its relative infancy, it is clearly the next horizon for marketers. As we saw in Chapter 15, local mobile search is changing how consumers find stores and brands within stores. And, as Figure 17-2 and the omni-channel consumer suggest, mobile phones and apps are increasingly playing a role in how consumers shop *in the store*. Price comparison and coupon apps as well as mobile search functionality allow consumers to search for brands, prices, and deals while standing in a physical store. In no small way, mobile and mobile apps have become an in-store influence and can interact with other in-store elements to influence shopping in numerous ways that were historically not possible. And retailers, even powerful ones like Walmart, don't want to get left behind. Walmart has always been reluctant to provide pricing information publicly, but since the advent of price-comparison mobile apps, they have decided to do so in order to avoid being excluded from this important source of shopping influence. *Can you think of interesting ways that marketers could allow for mobile phones to interact with elements of the store and store shelf that would positively influence retail sales?*

Sales Personnel

For most low-involvement purchases in the United States, self-service is predominant. As purchase involvement increases, the likelihood of interaction with a salesperson also increases. Thus, most studies of effectiveness in sales interactions have focused on

high-involvement purchases such as insurance, automobiles, or industrial products. There is no simple explanation for effective sales interactions. Instead, the effectiveness of sales efforts is influenced by the interactions of¹¹¹

- The salesperson's knowledge, skill, and authority.
- The nature of the customer's buying task.
- The customer–salesperson relationship.

Thus, specific research is required for each target market and product category to determine the optimal personnel selling strategy.

Consider the following shopping experience:

I also had lousy service in the store. The sales guy seemed to be trying to sell me the cheaper shoe to get me out the door. . . . The thing that irritated me was that I thought I was a fairly knowledgeable shopper and I thought that they should understand some of these things. . . . They weren't very knowledgeable. . . . I got the impression they didn't like their jobs.¹¹²

Is this consumer likely to return to this outlet? Will he recommend it to his friends? It is clear that knowledgeable, helpful salespeople enhance the shopping experience, while those who are not have the opposite effect.

In the online context, marketers are testing online sales clerks that interact with customers as they shop on their website. These online sales clerks are called *avatars* and can be defined as “virtual characters that can be used as company representatives.” One study found that avatars increased store attitude, product attitude, and purchase likelihood. It also found that for high-involvement products, expert avatars were more influential because of their increased credibility, while for lower-involvement products, attractive-looking avatars were more effective as a result of their likeability.¹¹³

PURCHASE

Once the consumer has selected the brand and retail outlet, he or she must complete the transaction. This involves what is normally called *purchasing* or *renting* the product. In traditional retail environments, this was straightforward and did not generally stop or delay purchases, with the possible exception of major and more complex purchases such as a home or car. However, as we saw earlier, many consumers starting to make an online purchase quit without making one for a variety of reasons. Making online purchasing itself easier is clearly an important factor. Mobile and social network purchase options are emerging and will likely increase rapidly. Simplifying these will also be important.

Credit plays a major role in consumer purchases, and new technologies are being tested on an ongoing basis. And research indicates that the ability to pay by credit card rather than cash substantially increases consumers' willingness to pay and the amount they purchase.¹¹⁴ Thus, it may be to the retailer's advantage to encourage credit card use even though it must pay a percentage of these sales to the credit card companies.

Businesses need to simplify the actual purchase as much as possible. This involves strategies as simple as managing the time spent in line at the checkout register to more complex operations, such as computerized credit checks to minimize credit authorization time. Many businesses appear to overlook the fact that the actual purchase act is generally the last contact the consumer will have with the store on that trip. Although first impressions are important, so are final ones. Store personnel need to be not only efficient at this activity but also helpful and personable. And online retailers need to minimize the complexity, hassle, and stress involved.

SUMMARY

LO1: Describe how retailing is evolving

Retail outlet refers to any source of products or services for consumers. Retailing has moved well beyond traditional physical stores and catalogs to include the Internet, interactive TV ads, and mobile shopping apps. Computers learn and recall consumer information and preferences; full-body scanners allow for custom-fit apparel; and interactive TV ads and shows do or will allow for product information search and purchase from the ad or show. The Internet and mobile phones and apps are changing the way consumers shop both prior to and during a store visit in unprecedented ways that are influencing the stores and brands that consumers choose.

LO2: Discuss the Internet and mobile as part of multi- and omni-channel shopping

Internet retailing and other forms of in-home retailing including catalogs are increasingly important retail outlets. While store-based retailing continues to dominate in terms of overall sales, consumers increasingly use in-home options such as the Internet and catalogs in combination with retail stores in what is known as *multi-channel shopping*. Retailers often operate in various formats (catalog, retail store, and Internet) to leverage the benefits that consumers derive from each.

In addition, mobile phones and apps have led to a form of shopping and shopper termed omni-channel. *Omni-channel shoppers* are consumers who browse and/or purchase in more than one channel *simultaneously*. Mobile phones and apps allow consumers to search for information, prices, coupons, and discounts, while standing in a physical store. Multi- and omni-channel consumers spend more at a given retailer than single-channel consumers, and retailers such as Macy's are courting these customers heavily with online and mobile functionality.

LO3: Explain the retail and consumer attributes that affect outlet selection

The decision process used by consumers to select a retail outlet is the same as the process described for selecting a brand. The only difference is in the nature of the evaluative criteria used. Retail outlet *image* is an important evaluative criterion. Store-based image and online retailer image are both important, although the dimensions consumers use to judge them vary. *Store brands* can both capitalize on a store's image and enhance, or detract from, it. *Outlet location and size* are important, with closer and larger outlets generally being preferred over more distant and smaller ones. Consumer characteristics such as *perceived risk* and *shopping orientation* are also important determinants of outlet choice.

LO4: Summarize the in-store and online influences on brand choice

While in a retail outlet, consumers often purchase a brand or product that differs from their plans before entering. Such purchases are referred to as *unplanned purchases*. Most of these decisions are the result of additional information processing induced by in-store or online stimuli. However, some are impulse purchases made with little or no deliberation in response to a sudden, powerful urge to buy or consume the product. Such variables as *point-of-purchase displays*, *price reductions*, *outlet atmosphere*, *website design*, *mobile and mobile apps*, *sales personnel*, and brand or product *stockouts* can have a major impact on sales patterns.

LO5: Understand how purchase plays a role in the shopping process

Once the outlet and brand have been selected, the consumer must acquire the rights to the item. This often involves credit. Whether purchasing is in-store, online, or via mobile or on social networks, the retailer's job is to simplify the process because it will enhance the likelihood of purchase and enhance their image.

KEY TERMS

Atmospherics 605
 External reference price 596
 Impulse purchase 601

In-home shopping 583
 Internal reference price 596
 Multi-channel shoppers 588

Omni-channel shoppers 590
 Online privacy concerns 588
 Perceived risk 598