SYLLABUS

Subject – Retail Management

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Retail Management Concept

The term "retail" comes from the French word "re-tailler," which meaning "to cut, trim, or split." This was mostly used in relation to tailoring. Thus, retailing refers to the sale of modest quantities of products. A retailer buys huge amounts of items from a wholesaler, divides them into the lowest possible quantities, and sells them to final customers.

The term "retailing" has a considerably broader definition than it appears. Retailing encompasses not just the sale of tangible things, but also the provision of services to individual customers. Dry cleaners, beauty salons, health centres, spas, tailor shops, and other service stores are examples.

"Any firm that targets its marketing efforts toward satisfying the final consumer based on the organisation of selling goods and services as a means of distribution," according to the definition of retail.

The word retail has been derived from the French word 're-tailler' which means 'to cut, trim or divide'. Thus retailing means, to sell goods in small quantities. Retailing not only covers the sale of goods which are tangible but also includes the sale of services to individual customers.

The term retailing has a much wider scope than it seems. Retailing not only covers the sale of goods which are tangible but also includes the sale of services to individual customers.

The examples of service retailers can be dry cleaners, beauty salons, health centres, spas, tailor's shop, etc. In the absence of retailers, there would be absolute confusion and it would be very difficult for the manufacturer to make the products available to a large number of customers. Thus retailers facilitate smooth running of goods and services to the ultimate customers.

Some of the major retail stores are briefly described here:

i. Departmental Stores:

A departmental store offers a wide range of products in an organized fashion and is easily accessible by the consumer. The product line of departmental stores is substantially long. Departmental stores provide better amenities to consumers for shopping by virtue of having adequate infrastructure for parking, leisure activities and hobbies.

Departmental stores face stiff competition from discount shops and downtown retailers of poor quality goods. Departmental stores provide the consumer services of honoring the product guarantee, warranty, post-sale services and the latest technical information. Departmental stores also organize educational programs for the benefit of the consumer on the various aspects of products use and other related matters.

ii. Exclusive Retail Stores:

Exclusive or specialty retail stores are unlike departmental stores and do not have a long product line. These stores are narrow in their product lines and are largely confined to the product line of a specific company. They present a varied assortment within that product line. Examples can be drawn from many consumer goods companies promoting exclusive retail stores like Phillips for a range of electrical, audio and video household gadgets; Raymond's for textiles; Bata for shoes and leather goods, and so on.

c. Super specialty stores.

Single line stores may be identified as the retail stores selling only one product like textiles. Limited line stores may be defined as the shops having micro specialization based on goods and services, gender and age, like exclusive men's wear retail stores, kids shoppe for garments etc.

The retail stores engaged in selling products scientifically designed for a particular purpose may be categorized as super specialty stores, e.g., surgical equipments stores, sports accessories; fashion garments stores and the like.

Nature of Retailing:

Low Margin High Turnover:

Retailing may be low margin and high turnovers like in big bazaar, Vishal Megamart, Wal-Mart, Pantaloon etc. they have wide variety of FMCG in several merchandise lines. These stores are located near to the consumers.

High Margin and Low Turnover:

These stores are having distinctive merchandise and sales approach. The stores in this category price their products above the market price. These store provide many specific services and sell special category of products, these stores are located in prime place. Examples are Lifestyle Chain, Armani DLF, Omega, Ethos etc.

High Margin-High Turnover:

Stores are those which have narrow line of items that turn over these are located in a non-commercial location, overhead cost may be high, but high prices can ensure profitability, example are convenience food outlet.

Retailing in India

The Indian retail market is largely unorganized. However, the organised Indian retail market has increased by ~50% between 2012-2020 to its current value of nearly 12% of total retail. The modern Indian retail industry is expected to grow at a 15% CAGR to reach 18% by 2025. Major retail categories (by % organised retail penetration) such as apparel & accessories (18%), consumer electronics (6%) and home & living (6%) will drive the increase in organised retail this decade.

The Indian retail market can be categorised as (1) traditional outlets (vegetable, fruit, and grain markets and fairs); (2) established outlets (corner shops, kiosks, independent stores, department stores, supermarkets, hypermarkets, speciality stores, franchise stores, discount stores, and wholesale cash-and-carry outlets); (3) cooperative/government stores (Mother Dairy stores, khadi and village industry outlets, cottage industries emporiums, defence canteens, and fair-price shops); and (4) e-commerce (online travel ticket and hotel accommodation, leisure goods, electronic goods, entertainment electronics, etc.).

The main segments of the overall retail industry are food and grocery (60 percent share); apparel (8 percent); telecom (6 percent); food service (5 percent); jewellery (4 percent), pharmacy (3 percent); consumer electronics (3 percent); and "others" (11 percent). However, the apparel segment tops the list of organised sector segments at 33 percent, followed by food-grocery and telecom (11 percent each) and consumer electronics (8 percent) for the second and third ranks.

Among the top retail groups/companies in India are Future Group (Big Bazaar, Pantaloons, Brand Factory), Tata Group (Titan and Tanishq outlets, Croma, Westside, Landmark), Reliance Retail (Reliance Supermarkets, Reliance Digital), K. Raheja Corp Group (Shoppers Stop, Crossword), Aditya Birla Group (More outlets), RP-Sanjeev Goenka Group (Spencer's Hyper, Spencer's Daily), ITC-LRBD, and Fabindia.

The retail industry uses four types of "channels" to route products from the manufacturer to the customer. They are the direct channel (producer to customer), retailer channel (producer to retailer to customer), wholesale channel (producer to wholesaler to retailer to customer), and agent/broker channel (producer to agent/broker to wholesaler to retailer to customer). Modern retail stores abroad use "omnichannel" strategies to seamlessly integrate channels and let the customer decide when, where, and how to buy.

Pricing Strategy

As with any business decision, determining your pricing strategy starts with assessing your own business's needs and goals. This involves some commercial soul searching — what do you want your business to contribute to the economy and world? This could mean embracing a traditional retail strategy, establishing a service business mindset or emphasizing personal customer relationships in your offering.

Once you define your goals and needs, do some research on the market you're entering. Determine three to five main competitors in the industry by conducting online research or scouting out local businesses. No matter what pricing strategy you adopt, what your competitors are doing will impact your business's success and future decisions. Understanding your competitors' strategies can also help you differentiate your business from other businesses in the market. In an economy where there are thousands of small businesses providing the same products and services, an effective pricing strategy can help you stand out.

A good final stage in your research is speaking with potential customers to get a feel for how they value your brand, product or service. This can give you valuable insight into how to set your pricing. This kind of research can range from casual conversations with friends and family to formal surveys of potential buyers.

While you may have already done some of this legwork when developing your business plan, it's good to have as much insight and information as possible before you decide what pricing strategy to adopt.

Pricing strategies to attract customers to your business

There are dozens of ways you can price your products, and you may find that some work better than others — depending on the market you occupy. Consider these seven common strategies that many new businesses use to attract customers.

1. Price skimming

Skimming involves setting high prices when a product is introduced and then gradually lowering the price as more competitors enter the market. This type of pricing is ideal for businesses that are entering emerging markets. It gives companies the opportunity to capitalize on early adopters and then undercut future competitors as they join an already-developed market. A successful skimming strategy hinges largely on the market you're looking to enter.

2. Market penetration pricing

Pricing for market penetration is essentially the opposite of price skimming. Instead of starting high and slowly lowering prices, you take over a market by undercutting your competitors. Once you develop a reliable customer base, you raise prices. Many factors go into deciding on this strategy, like your business's ability to potentially take losses upfront to establish a strong footing in a market. It's also crucial to develop a loyal customer base, which can require other marketing and branding strategies.

3. Premium pricing

Premium pricing is for businesses that create high-quality products and market them to high-income individuals. The key with this pricing strategy is developing a product that is high quality and that customers will consider to be high value. You'll likely need to develop a "luxury" or "lifestyle" branding strategy to appeal to the right type of consumer.

If you've already launched your business, you can experiment with these strategies until you determine what works best for your business. You can also vary strategies between products depending on the market for each good or service.

4. Economy pricing

An economy pricing strategy involves targeting customers who want to save as much money as possible on whatever good or service they're purchasing. Big box stores, like Walmart and Costco, are prime examples of economy pricing models. Like premium pricing, adopting an economy pricing model depends on your overhead costs and the overall value of your product.

5. Bundle pricing

When companies pair several products together and sell them for less money than each would be individually, it's known as bundle pricing. Bundle pricing is a good way to move a lot of inventory quickly. A successful bundle pricing strategy involves profits on low-value items outweighing losses on high-value items included in a bundle.

6. Value-based pricing

Value-based pricing is similar to premium pricing. In this model, a company bases its pricing on how much the customer believes the product is worth. This pricing model is best for merchants who offer unique products, rather than commodities.

How do you know what a customer perceives a product to be worth? It's hard to get an exact price, but you can use certain marketing techniques to understand the customer's perspective. Ask for customer feedback during the product development phase, or host a focus group. Investing in your brand can also help you add "perceived value" to your product.

Retail Marketing Strategies

What is Retail Marketing?

Retail marketing involves every element from the interior to exterior promotions and offers, product placements in-store advertisement, strategic placement as well as the behavior of store representatives.

Definition of Retail Marketing

A retail marketing include set of activities where a retailer buys products from a wholesaler or manufacturer to sells them to ends users (consumers). In simple words, a retailer is an intermediary which makes products available to consumers using different channels, for example, brick-and-mortar retail store, shopping malls, shopping website, automatic vending machines, kiosks etc.

Store Retailing Vs Non Store Retailing

A retail store means a place where the business is operated, usually by the owner; however, sometimes operated and owned by the manufacturer or by anyone other than a retailer within which the merchandise is primarily sold to end users.

On the other side, non-store retailing involves selling merchandise outside the boundaries of a retail facility. This generic term tends to describe retailing that takes place outside from stores and shops. The retailing takes place through television, internet, video, automatic vending machines direct marketing and direct selling.

Retail Marketing Strategies

Retailers are always in search of different marketing strategies to attract more customer, increase awareness and sales growth. In the first place it should select target market and then select combination of right marketing mix can lead a retail business to higher ROI. Keep in mind the following elements that need close consideration when drafting a retail marketing strategy.

Retail Marketing Examples

Walmart: Walmart is the giant of retail consumer market; however, despite the constantly rising of cost of goods and thinner profit margins. Walmart has still managed to cater all type of income groups.

Amazon: Amazon is a big player in both the e-commerce world and physical retail and holds a strategy to deliver products to customers even faster and compete more effectively with other online and brick-and-mortar outlets.

Target marketing:

To predict how large or small a market may be, retail professionals count the potential buyers. For this purpose, retailers usually count loyal customers who do regular purchasing.

Certain essentials exist for a useful target market:

1. The buyers' ability to purchase products and services.
2. The willingness to buy the products and services
3. An eligible number of people in the market to generate profits.

CONSUMER BEHAVIOUR

Consumer behavior is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioral responses.

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

Nature of Consumer Behaviour:

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

a. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.

b. Personal factors such as age, gender, education and income level.

c. Psychological factors such as buying motives, perception of the product and attitudes towards the product.

d. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.

e. Social factors such as social status, reference groups and family.

DETERMINANTS OF CONSUMER BEHAVIOUR

Personal Factors

Personal factors refer to demographic features of population which differentiates people needs from one another. These factors influence the buying pattern of consumers. Personal factors comprises of age, occupation, personality, lifestyle, Life cycle stage and self-concept. Peoples with varied ages have distinct demands like child will have more desire for toffee or chocolate whereas youth will prefer coffee.

In the same way, occupation influences the consumer behavior. People engaged in businesses need ordinary clothes whereas persons engaged in corporate sector required formal suits to wear.

Economic Factors

Economic factors studies the effect of economic conditions and income distribution pattern in an economy on consumers buying behavior. The main economic determinants include personal income, family income, consumer credit, standards of living and expectations regarding future income.

Consumers earning large incomes and having sufficient funds will demand more than those having low funds or earning small income. Similarly if peoples have higher standards of living they will demand for luxury items while one with lower living standards will have only basic needs.

Cultural And Social Factors

This refers to social and cultural trends which enables people's in taking their buying decisions. It means traditions, beliefs and perceptions of society, family, religion and nation. Social and cultural factors comprises of culture, social class, social groups, subculture, opinion leaders, role and status.

Buying pattern of an individual is affected by attitude, desires and values of its family members. Peoples are influenced by their social caste and class where they share similar lifestyle, values, behavior and interests.

Psychological Factors

Consumers buying decisions varied according to his psychology and thinking pattern. Person's likes and dislikes mainly depend upon his psychology. The main psychological factors are motivation, involvement, learning, attitude and perception.

Motivation is the internal desire that force people to purchase products and depends on their position in hierarchy of needs. Also, attitude and involvement of individual with particular goods makes him to buy it.

CONSUMER MARKETING STRATEGY

Consumer marketing has been around for as long as there have been consumers. The difference between early marketing efforts and what's available today has to do with the ease of learning which marketing techniques work and which don't. Brands have to understand when their marketing efforts lose effectiveness and how to get back into the game when marketing campaigns go stale.

1. Make Emotional Connections.

People **remember information better** when it connects with their emotions. While on some level people want to know how your product works, most want to know how their lives will be better for having it. In other words, the ad showing the happy family enjoying a birthday dinner at home will resonate more than the ad for the stove and oven that lists all its features.

2. Use Fear of Missing Out (FOMO).

Fear is an emotion, and it gets reactions. However, you do not have to make people fear for their lives. Just the fear of missing out (FOMO) on something good can be powerful. Missing out on your big sale or your new limited-edition product can be an effective focus of your consumer marketing campaign.

3. Promote Exclusivity.

Everyone wants to feel important like they are part of **an exclusive group**. Advertising that mines this need can be remarkably effectiv. Promoting your product as the choice of a discerning parent, car owner, or woodworker invites people into a world that is somewhat set apart from the everyday. It makes them feel as if they have "arrived."

4. Partner with Other Brands.

Creative **marketing partnerships** can be terrific for jump-starting a consumer marketing campaign. A great partnership will generally bring out both parties' best efforts (out of a sense of competitiveness, if nothing else), while exposing your brand to a new audience. A clothing brand might partner with a musician, while a bakery could partner with a florist during a wedding season.

5. Develop a Strong Social Media Strategy.

Posting on Facebook and Twitter should not just be an afterthought for your brand. A strong social media strategy can be tremendous for brand building. Choose two or three platforms through which to focus your efforts. Create an editorial schedule for posting and commit to it. Most platforms offer extensive analytics so you can learn what works and who your audience is right away. Knowing your audience will be very important if you do any paid social media advertising due to the powerful targeting tools social media platforms have.

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What Is the Consumer Decision Making Process?

The consumer decision making process is the process by which consumers become aware of and identify their needs; collect information on how to best solve these needs; evaluate alternative available options; make a purchasing decision; and evaluate their purchase.

Understanding the consumer decision making process is important to any business, but eCommerce businesses have a unique opportunity to optimize it**.** Because online shoppers generate so much more data than those in brick-and-mortar stores, online retailers can use that data to implement conversion strategies for every stage of the process.

CONSUMER DECISION MAKING PROCESS

The 5 Stages of the Consumer Decision Making Process — And How to Optimize

It's important to note that the consumer decision making process has many different names, including but not limited to the buyer journey, buying cycle, buyer funnel, and consumer purchase decision process. But all the names essentially refer to the same thing: The journey a customer goes through when making a purchase.

So, here's a breakdown of what happens in each step:

1. **Need recognition (awareness):** The first and most important stage of the buying process, because every sale begins when a customer becomes aware that they have a need for a product or service.
2. **Search for information (research):** During this stage, customers want to find out their options.
3. **Evaluation of alternatives (consideration):** This is the stage when a customer is comparing options to make the best choice.
4. **Purchasing decision (conversion)**: During this stage, buying behavior turns into action – it's time for the consumer to buy!
5. **Post-purchase evaluation (re-purchase):** After making a purchase, consumers consider whether it was worth it, whether they will recommend the product/service/brand to others, whether they would buy again, and what feedback they would give.

Now, to show you how these stages of the buying decision process play out in real life, here are consumer buying process examples that outline each of the steps and ways for your eCommerce brand to maximize results during each stage.

1. Need recognition (awareness)

The need recognition stage of the consumer decision making process starts when a consumer realizes a need. Needs come about because of two reasons:

1. **Internal stimuli**, normally physiological or emotional needs, such as hunger, thirst, sickness, sleepiness, sadness, jealousy, etc.
2. **External stimuli**, like an advertisement, the smell of yummy food, etc.

Even if the core cause is vanity or convenience, at the most basic level, almost all purchases are driven by real or perceived physiological or emotional needs. The causes for these stimuli can be social (wanting to look cool and well dressed) or functional (needing a better computer to do work more effectively), but they speak to the same basic drivers.

We buy groceries because without food in the house, we'll be hungry. We buy new clothes because we'll be cold, or we feel like everyone else has the latest handbag of the season, and we don't want to be left out.

Example: Looking for a new camera

Think about it: Why does someone start looking for a new camera? Likely, their old camera isn't working well anymore, or they simply want a nicer camera. Maybe they have a vacation coming up. Or maybe they want to give the camera as a present to their sister, who just had her first child.

How in the world is this related to a physiological need? Simple. Without a camera, they won't be able to document special moments; therefore, they have an emotional desire to save these moments so that they are happy and not sad.

This emotional desire is the internal stimuli in this situation. Sure, a camera isn't a life necessity keeping them from surviving, but it does solve a core emotional need.

What happens after someone identifies a need? They begin looking for a solution! Which brings us to the next step in the customer journey: searching for information.

2. Search for information (research)

As soon as a consumer recognizes a need and begins to search for an answer, you must be there to help! And where do consumers generally go to look for answers today? Google!

Example: Researching cameras

Now that the customer has realized a need to get a new camera, it's time to find solutions to his problem. In this stage, it's imperative that you are visible to the consumer searching for an answer.

Here are some things a consumer may be searching for:

- *Best cameras 2020*
- *What is the best affordable camera?*
- *Which cameras are top-rated?*

The amount of information a customer needs to search for depends on how much he already knows about the solutions available, as well as the complexity of choices. For example, let's say there's someone looking for a camera as a gift, and he has no idea which type of camera he wants, or what features he needs.

He will need more information than someone who already knows exactly the type of camera he wants to buy, but just needs to find the right product and the right way to purchase it.

The amount of searching necessary is entirely dependent on the situation, and it can vary widely.

So how do customers search for information? By using internal information (their previous knowledge of a product or brand) as well as external information (information about a product or brand from friends or family, reviews, endorsements, press reviews, etc.).

The biggest way you can optimize your online business during the need recognition and awareness stage is by making sure you show up in search results — and that what the consumer sees makes an impression.

Strategies to optimize during the research stage

First, make sure you're optimizing your eCommerce storefront to rank for the keywords that matter to your brand. For a complete guide on eCommerce SEO, Once you know how to strategize your SEO, you'll want to make sure your results are well optimized to convert. User-generated reviews can help you to build brand awareness during the research stage. In fact, it's one of the most effective ways to do it.

Reviews can help your store get seen in search results by increasing the likelihood of your store showing up for long-tail keywords. Reviews improve SEO because they give your online business a steady source of keyword rich, relevant content.

So when someone opens up their laptop and starts searching for a new camera, reviews will help you be there:

Online businesses that use reviews see an increase in search traffic. You can leverage reviews in Google Rich Snippets and Product Listing Ads so that if a customer searches in Google, you've added credibility to your listing. Businesses that show reviews in their search results stand out from the competition.

3. Evaluation of alternatives (consideration)

Now that the consumer has done research, it's time to evaluate their choices and see if there are any promising alternatives. During this phase, shoppers are aware of your brand and have been brought to your site to consider whether to purchase from you or a competitor.

Consumers make purchase decisions based on which available options best match their needs, and to minimize the risk of investing poorly, they will make sure there are no better options for them.

Their evaluation is influenced by two major characteristics:

1. **Objective:** Features, functionality, price, ease of use
2. **Subjective:** Feelings about a brand (based on previous experience or input from past customers)

Example: Comparison shopping for a camera

If you're a camera seller or brand, your goal in the consideration stage is to convince customers your camera is the best choice. And the most effective way to do that is to keep them on your site longer and find ways to earn their trust.

Consumers will first weigh the objective characteristics of your camera. Does it have all the features I want? Is it easy to use? Is it in my budget? Then, the subjective consideration will kick in: Do *other people* think it has all the features it should? Has anyone else who bought it expressed any difficulty with learning how to use it? Is it generally considered a good value for the money?

You only have one shot – so you need to make the most of it. Of course, it's important that your site is informative, your prices are competitive, your value is clear, etc. But if you're identical to a competitor in every single way, the word of previous customers is what will set you apart.

Strategies for optimizing in the consideration stage

In this stage, use reviews and user-generated content examples on your site to increase engagement and boost customer trust.

The first place you need to have reviews is on your home page, so as soon as customers land on your site, they see content from past buyers. You also need to display reviews on your product pages, so customers looking for information can see trustworthy input from past buyers.

Additionally, using reviews in a home page carousel reduces bounce rate while increasing time spent on site and page views. That boost in engagement increases the likelihood that customers will learn more about your store and leave your site with a positive memory of your brand.

Reviews also help kick start the navigation to other product pages. Make sure to get reviews on a wide variety of products in order to increase click throughs from category pages into product pages.

Also, community questions and answers are another powerful type of user-generated content that can help answer shoppers' questions so that they have no reason not to buy from you.

4. Purchasing decision (conversion)

Alright, now it's money time. This is the stage when customers are ready to buy, have decided where and what they want to buy, and are ready to pull out their credit cards.

But wait! Not so fast. You can still lose a customer at this stage. This is the stage when the purchasing experience is key – it's imperative to make it as easy as possible.

Example: Abandoning checkout for a camera

Let's say your potential customer has gotten to the checkout stage of his purchase, and has second thoughts: What if the recipient wants a different camera? What if this camera is missing a key feature that the recipient would want? How difficult will it be for the recipient to return the camera if it doesn't meet their needs?

This shopper will likely abandon his cart, and go back to the research stage. Maybe he'll end up back on your site, but maybe he won't. Your goal at this stage is to get him to complete the purchase *now*, so you don't lose him forever.

Strategies for optimizing in the conversion stage

Many businesses choose to display reviews on checkout pages. This can be effective if done correctly. You need to focus on building trust, but don't distract the customer from completing the purchase.

If you want to display user-generated content during checkout, use site reviews rather than customer photos or product reviews, and make sure they aren't clickable. You want to focus on building trust and not distracting.

5. Post-purchase evaluation (re-purchase)

In this stage of the consumer purchase decision process, consumers reflect on their recent purchase. They think about how they feel about it, if it was a good investment, and most importantly, if they will return to the brand for future purchases and recommend the brand to friends and family.

In this stage, you need to have a post-purchase strategy to increase the likelihood that customers will engage with your brand again in the future. Return customers account for 1/3 of a store's total income on average, so make sure you're not missing out on this super valuable opportunity to increase your eCommerce conversion rate by turning shoppers into repeat buyers.

Example: Getting feedback and encouraging repeat purchases

In the camera example, the customer has already bought from your brand and they're evaluating their purchase. This is usually when they will leave a review about their experience. This is also when they are at their most engaged with your brand, and they can be susceptible to strategies that encourage long term engagement.

At this stage, you want to ensure that customers buy again, and you want to encourage them to leave UGC that helps other buyers in the future.

Strategies for optimizing in the conversion stage

While your customer might take it upon themselves to leave a review, they're far more likely to do so if you request one. Asking customers for reviews about their experience in a post-purchase email not only gives you insight into your performance, but it also gives you valuable user-generated content to leverage to attract future customers.

It's important to remember that customers have already given you something very valuable: their money! So you don't want to ask for too much when requesting feedback. In order to encourage customers to write reviews, make it as easy as possible for customers to leave feedback:

You can also use this email to cross-sell other items. Data from over 2,000 stores shows that 27.5% of customers who see promoted products in post-purchase review request emails end up converting – and these customers are valuable.

After purchase, it's also a good opportunity to promote your loyalty program. Customers in loyalty programs consistently provide a higher lifetime value than those who aren't because the programs are designed to incentivize purchases.

What Is the Importance of Pricing in the Consumer Buying Process?

One common question that eCommerce brands will ask is how consumers factor price into their buying decisions. When consumers are evaluating a product, price is of course a huge factor. But it's not just about the product price — it's about the entire cost of the purchase.

Let's say your cameras are a good value for the money, competitively priced, and have decent reviews. What happens when your customers get to checkout, and see that you have a high shipping cost? Instead of completing the purchase, they are going to see what the shipping cost is on the other cameras they were considering. And what if one of them offers free shipping? You may lose that customer.

You don't want shoppers to be surprised by any additional costs when they get to checkout. Make sure to calculate taxes and shipping costs before they get to the final step. The more transparent you can be about your pricing up front, the more likely you'll be to complete the sale.

If you want to turn a potential customer into a loyal brand advocate, it's important to build trust and keep them engaged at every step of the process. User-generated content is a powerful tool for building brand awareness, highlighting the best things about your products, and ultimately, growing your bottom line.

What is Organizational Consumer Behavior?

Organizational consumer behavior also called business buying behavior or organizational buying decision is the behavior of organizations while buying products or services that may buy such things for resale, reproduction, or to conduct an organization's operations.

The behavior of an organization shown in buying goods or services is called organizational buying behavior. The organizations buy goods or services for business use, resale, produce other goods or provide services. Business and industrial organizations buy goods to use in business or produce other goods. Resellers buy goods for reselling them at profitable price. Similarly, government bodies buy goods for office and conducting development program. Non-governmental organizations, hospitals, educational institutes, social organizations, religious organizations etc. buy goods to provide services to their followers or customers.

Users, influencers, buyers, deciders and gate keepers take part in organizational buying process. Users who are the members of organization use bought goods or services. They prepare buying proposal and help in preparing product specification. They also help in preparing special report and analyzing alternatives. Influencers influence buying decision. They help in preparing products specification and analyzing alternatives. Those who buy goods or services are called buyers. Buyers select suppliers and make buying terms and conditions. The person who makes the last decision to buy goods or services from the selected supplier is called decider. Goods are purchased from the supplier selected by the decider. Gatekeeper controls follow of information and other things. Technical staff and personal assistant work as gate keeper.

Organizational buying behavior is influenced by marketing stimuli and other stimuli. Marketing stimuli includes product, price, place and promotion and other stimuli includes economic, technological, political, cultural and competition. These motivators bring changes in the buyers' behavior after they enter in an organization. Or these stimuli influence selection of goods or service, selection of suppliers, order, quantities, delivery time, terms and conditions of goods or services etc.

SERVICE RETAILING

Service retailer refers to a retailer, whose product line is actually a service, including hotels and motels, banks, airlines, colleges, hospitals, movie theaters, tennis clubs browsing alleys, restaurants, repair services, hair salons, and dry cleaners. These retailers in the United States are growing faster than product retailers.

The fundamental to all service retailers' businesses is customer service. A **service retailer** protects customer loyalty and offers the customers their best service so that they have outstanding retail experience.

These retailers can be mainly of three types based on the form of service they are providing.

1. Full-Service: These retailers provide support to customers at each touch-point of the total shopping process. It is not just limited to the area of personal interaction and also offers service type making the overall shopping experience easier in the following ways:

- To accept multiple payment forms such as debit card, credit card, check, and cash.
- To offer delivery services
- To provide demonstrations or make recommendations, such as to offer product samples, cooking classes, or recipes.
- To allow returns or exchanges
- To allow special orders
- To provide consumer loyalty programs

2. Assorted-Service: Most service retailers provide some level of service to customers. Services include managing the purchase-point transaction, assistance in product selection, offering delivery, arranging payment plans, and the like.

3. Self-Service: These retailers allow customers to perform all or most of the services related to retail purchasing. Some customers view self-service as a benefit, but others may take it as inconvenient.

ZONE OF TOLERANCE

The zone-of-tolerance (ZOT) is an innovative concept that has attracted recent attention in the services marketing domain. The ZOT represents a range of service performance that a customer considers satisfactory, which recognizes multiple expectation standards, specifically adequate and desired expectations. This study aims to extend Zeithaml, Berry and Parasuraman's examination in 1996 of the relationship between service quality and behavioral intentions across the ZOT by heeding Teas and DeCarlo's call in 2004 to examine the relationship for specific dimensions. The study also seeks to extend outcomes to include satisfaction and value.

CONSUMER PERCEPTION OF SERVICE

What exactly does your customer think about your brand, products, services, quality is consumer perception. In other words, the customer's viewpoint about your business, his feelings about your brand, one's direct/indirect experiences etc. By observing & examine the result of your customer opinions, you can detect current customer pain points and enhance the consumer experience.

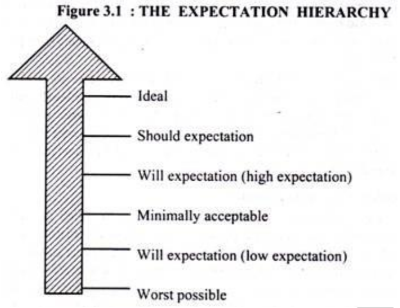
Perception is often linked to one's expectation. Consumer Expectations are actively evolving, the result of the evaluations tends to shift over time. The evaluation will vary from person to person and from time to time. What one may consider as quality can often be denied by the other.

Expectations

Satisfaction and delight are both strongly influenced by customer expectations. By "expectations," behavioral researchers mean an array of possible outcomes that reflect what might, could, should, or had better not happen. There are several different kinds of expectations. Figure 3.1 show a hierarchy of expectations that might exist for a typical customer.

The will expectations come closest to the mathematics definition. It is the average level of quality that is predicted based on all known information. This is the expectation level most often meant by customers (and used by researchers). When someone says that "service exceeded my expectations,"

Figure 3.1 : THE EXPECTATION HIERARCHY



Expectations are affected strongly by experience. For example, if the customer has a bad experience, then the will expectation will decline. A good experience will tend to raise the will expectation. Generally speaking, this should expectation will go up, but never decline. Very good experiences tend to bring this should expectations up to that level. Thus expectations change over time, often for the better.

What is the service marketing triangle?

The service marketing triangle is a framework that defines relationships with companies, their customers, their vendors and their systems. It's a way to show companies how these several components can affect each other. This method of understanding these relationships is common in the service industry and can determine where companies might direct their marketing efforts. Here are three main ways service companies use marketing to reach their business goals after analyzing their service marketing triangle:

Interactive marketing

Interactive marketing is a way to target individuals both within a company and outside a company. This means the company can respond directly to actions that customers take to create a more personalized experience and sell its services. When customers act a certain way, like if they click on an advertisement, a company may send email marketing or promote specific products to leverage the customer's engagement and turn it into a sale.

Internal marketing

Internal marketing is when companies use certain strategies to appeal to their employees. Companies often use internal marketing to promote their business goals or to help employees learn more about its mission and values. Internal marketing can promote employee engagement through this type of marketing with the goal that employees feel like they can contribute to their overall goals or align their values with those of the company.

External marketing

External marketing is the traditional type of marketing where companies create promotions and materials to help sell their services. This includes creating and maintaining a brand that customers recognize and promoting advertisements to appeal to customers. External marketing requires several tools like social sites, partnerships and company elements, like a logo and website.

Marketing Mix Definition

"The marketing mix is "the set of marketing tools that a company utilizes to achieve its marketing goals in the target market environment." According to marketers, it's what makes your product unique and different from the competition."

What Are The 4 Ps Of The Marketing Mix?

The following involves the process of defining the marketing mix:

Product

The company manufactures or designs the item or service to fulfill consumer needs.

The product ought to be promising, productive, and effective. Customers won't buy an inefficient product even when you promote it heavily.

Your audience will acknowledge the marketing investments and strategies if the product has potential.

Price

The consumer pays the value to access or receive the product. Most marketing promotions stress the cost-effective pricing of the product.

Pricing depends on the various costs incurred during the development phase and the profit margins desired by the stakeholders.

For setting the price, you should consider a few factors:

- The worth of your product: From the user's perspective, is the product worth the money spent on buying it. Is it equipped to serve most of the user's needs? And is it better than the other brands?
- Compare the market prices: If another brand's product provides the same service as yours, it comes down to the price difference. The customer will buy the more cost-effective product, and marketing promotions attract the customer by price comparison.
- Over or underpricing: You should price the product based on its features, the number of needs it fulfills, and the prices offered by competitors. Also, sometimes, the brand image aids the pricing.

Therefore, a product shouldn't be so overpriced that the customer won't buy it. It also should be too underpriced that you don't meet the profit margins even if the sales are high.

Place

Place refers to the areas of distribution.

As the site's culture, needs, and market environment change, marketing strategies vary depending on the location.

Promotion

Promotion helps communicate with the potential customers and promote product benefits to convince or attract them to buy.

It involves advertising, incentive, discounts, word of mouth, or anything that promotes a good image.

All these are interrelated such that you can focus on no factor individually. That's why it is a mixture or a 'mix.'

What is market segmentation?

Market segmentation is a business practice that brands use to divide their target market into smaller, more manageable groups of people based on common ground they share to optimize their marketing, advertising, and sales efforts. Simply put, customers of each market segment have similar characteristics that businesses can leverage to advance their efforts.

The purpose of market segmentation is to introduce a tailored message that will be received successfully. This is advantageous for companies that may have a product or service in the marketplace that boasts multiple benefits or uses for different types of customers.

Accept the fact that you can't be everything for everybody, and as a marketer, you can't solve everyone's problem or appeal to every single person. This is exactly why market segmentation is such an effective growth strategy to implement.

1. Demographic segmentation

Dividing your market according to pre-defined audience characteristics is called demographic market segmentation. This type of segmentation is typically useful in B2C businesses.

Demographic segmentation is done by collecting audience insights and splitting your target market by personal attributes like age group, gender, marital status, family size, levels of educational attainment, and income. In B2B, firmographic segmentation, which considers company variables instead of individual traits, is more common.

2. Geographical segmentation

Technically, geographical segmentation is a subset of demographic segmentation in which you divide the audience based on geographical location. Geographic segmentation is valuable in almost any business: B2B or B2C, a global enterprise, or SMB, service providers, and retailers.

Geographical location impacts language and time-zone and has implications on purchasing habits, pricing level, and cultural considerations.

3. Behavioral segmentation

In behavioral segmentation, you create groups based on online behavior represented by engagement metrics. This includes factors such as frequency, duration of visits, bounce rate, and click-through rate (CTR).

You might investigate the channels through which visitors reach your site, the devices they use to access your content, popular content, preferred payment method, and more. With an in-depth conversion analysis, you can gather the necessary data to create effective behavioral segments.

4. Psychographic segmentation

Psychographic segmentation looks at the interests, values, and attitudes of your visitors. It is highly useful for NGOs or companies with a specific social or environmental agenda. Also, in the field of leisure and sports, this type of segmentation can make a difference.

Psychographic segmentation includes investigating what your audience already knows about you and your products. Sometimes a person's viewpoint can even be a prerequisite for being part of your audience, and the way your audience perceives you relative to others in the industry can impact their decision.

As an example, a basketball player has no use for a tennis racket, and a tennis player has no interest in dancing shoes. An active wear retailer would benefit from providing segmented marketing content.

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