

Advertising ultimately seeks to motivate consumers to purchase a product

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# Outlet selection and purchase



## OBJECTIVES

When you have worked through this chapter, you should understand:

- how the traditional retailing environment is changing
- the trend towards Internet retailing
- the factors that affect retail outlet selection
- why consumer characteristics can also affect outlet selection
- the in-store influences that can affect brand choice
- how marketers can capitalise on these influences.

## OUTLET SELECTION AND PURCHASE

In cities around the world, car dealers are offering their customers more than just an outlet for buying a car. Along the Avenue des Champs Élysées in Paris, five car manufacturers—Renault, Peugeot, Citroën, Mercedes-Benz and Toyota—have showrooms. Today, the Champs Élysées is leading the global fashion for automotive brand-building venues, where cars take a back seat to a restaurant, an art gallery and multimedia space.

Renault has created a 1400 m<sup>2</sup> space to reflect the changing themes of art, fashion and special events, with a restaurant, 'L'Atelier Renault', which seats 210. Renault pioneered the car-sales-as-family-entertainment concept back in 1963, when it rebuilt its expanded showroom into Le Pub Renault, an exhibition space and restaurant (famous for its ice-creams and cocktails) and hosted an average 2000 visitors per day until its closure in 1999. Even though it is not a commercial site, the company finds that people like buying their car on the Champs Élysées.

The Mercedes-Benz showroom is the most frequented venue on the Champs Élysées, with an average 5000 visitors each weekday and 12 000 on Saturdays. At Toyota's showroom customers find staff who speak 19 languages, and touch-screen information terminals provide information on the different Toyota models. The showroom also caters to young people, providing a cyber café, and offers free world music concerts every Friday night.

Closer to home in Australia, Mercedes-Benz and BMW have also redesigned their showrooms to appeal to car shoppers. These architecturally designed showrooms cater to the browsing consumer who might want to enjoy a coffee while exploring the range, and a mix of cafés, restaurants and merchandising areas are provided.

But it is not just the luxury end of the car market that is using this approach. The growing popularity of four-wheel drive vehicles in Australia has seen the development of themed car dealerships, with dealers providing facilities for potential buyers to test drive the vehicles in an off-road environment, cafés to enjoy a snack, video rooms to view the cars in action in a variety of terrains, merchandising areas and libraries containing information on how to get the most out of a four-wheel drive vehicle.

The retail landscape is changing to suit the needs of consumers and perhaps to provide an exciting alternative to the trend towards shopping on the Internet!<sup>1</sup>

For many traditional retailers, the decision to venture into online retailing is a difficult and complex issue. Even with the potential benefits to be gained, the risks are high for retailers. Retailers can develop alliances with e-commerce companies to potentially reduce their financial risk. However, much of the research to date suggests that only a small percentage of the consumer market will move to an online shopping experience. Most consumers still seek the pleasure of shopping in a bricks-and-mortar store.

This chapter discusses the evaluative criteria that consumers frequently use in choosing a **retail outlet**, consumer characteristics that influence the criteria used, the in-store characteristics that affect the amounts and brands purchased, and how the retail environment is changing to respond to the online challenge.

Selecting a retail outlet involves the same process as selecting a brand (described in previous chapters).<sup>2</sup> In other words, the consumer recognises a problem that requires an outlet to be selected, engages in internal and possibly external search, evaluates the relevant alternatives and applies a decision rule to make a selection.

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**retail outlet** any source of products or services for consumers

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## OUTLET CHOICE VERSUS PRODUCT CHOICE

Outlet selection is important to managers of retail firms. There are three basic sequences a consumer can follow when making a purchase decision:

- 1 brand (or item) first, outlet second
- 2 outlet first, brand second
- 3 brand and outlet simultaneously.<sup>3</sup>

The model and discussion in Chapters 4 and 5 suggest that brands are selected first and outlets second. This situation may arise frequently. For example, referring to the television set example in Chapter 5, a person can read about them in catalogues and talk with knowledgeable individuals about them. Based on this information, the consumer can select a brand and purchase it from the store with the lowest price (or best location, image, service or other relevant attributes).

But, for many individuals and for many product categories, stores rather than brands form the evoked set.<sup>4</sup> One study found that two-thirds of brand decisions for supermarket items were made in the store.<sup>5</sup> In the television set example, a consumer might be familiar with one store that sells television sets (e.g. Harvey Norman). The consumer may decide to visit that store and select from the brands available there.

A third strategy is for the consumer to compare the brands in his or her evoked set at the stores in that evoked set. The decision would involve a simultaneous evaluation of both store and product attributes. Therefore, the consumer might choose between the second-preferred television at a store with friendly staff and excellent service facilities, and the favourite one at an impersonal outlet with no service facilities.

The appropriate marketing strategies for both retailers and manufacturers differ depending on the decision sequence generally used by the target market. How would a manufacturer's strategy differ depending on whether the brand or store was selected first? A brand-first decision sequence would suggest brand image and feature advertising, *Yellow Pages* listings by brand and possibly a limited distribution strategy. An outlet-first decision sequence would tend to produce a focus on point-of-purchase (POP) materials, distribution through key outlets, and programs to encourage good shelf space and support from sales personnel. Table 6.1 highlights some of the key strategic implications.

Manufacturers often provide advertising dollars to retailers in exchange for their products being featured in the retailers' advertisements. At other times, manufacturers list one or more retailers as a source of their products. This both creates product demand and directs consumers to the appropriate retail outlet. Retailers often share in the cost of such advertising. In other cases, manufacturers use retailers' names in their advertising as an inducement for the retailers to carry or display their brand. The advertisement in Exhibit 6.1 overleaf illustrates how advertising can be effective in promoting specific brands and directing consumers to appropriate retailers.

**TABLE 6.1**

**Marketing strategy based on the consumer decision sequence**

LEVEL IN THE CHANNEL		
Decision sequence	Retailer	Manufacturer
Outlet first, brand second	Image advertising Margin management on shelf space, displays Location analysis	Distribution in key outlets Point-of-purchase, shelf space, position Programs to strengthen existing outlets
Brand first, outlet second	Appropriate pricing Many brands and/or key brands Cooperative advertisements featuring brands	More exclusive distribution Brand-availability advertising ( <i>Yellow Pages</i> ) Brand-image management
Simultaneous	Price specials on brands, <i>Yellow Pages</i> listings under brands Margin training for sales personnel Multiple brands/key brands High-service or low-price structure	Programs targeted at retail sales personnel Distribution in key outlets Cooperative advertising

**EXHIBIT 6.1**

Marketers often use advertising to create brand demand and to direct consumers to appropriate outlets

**THE RETAIL SCENE**

A retail outlet refers to any source of products or services for consumers. Increasingly, consumers are seeing or hearing descriptions of products in catalogues, in direct mail, in the various print media, on the Internet or on television or radio, and are acquiring the products through mail, telephone or Internet orders.<sup>6</sup>

A substantial amount of retail trade occurs in other non-store settings, such as garage sales, weekend markets and, more recently, farmers markets and consumer-to-consumer sales (through classified advertisements and noticeboards).<sup>7</sup> In Australia, many of the major department, grocery and variety stores have developed an online presence. However, the majority of sales still come from their physical outlets. In addition, online auctions are beginning to grow in popularity. Web sites offering online auctions have redefined business for collectors, resellers, consumers and shipping companies.<sup>8</sup>

As more consumers are moving to online shopping, retailers are

focusing on innovative ways to lure them back into their physical stores. Traditional store-based retailing is also experiencing a rejuvenation. For example, Borders, an American bookstore group, has opened nine stores in several Australian capital cities and in Singapore, New Zealand and the United Kingdom. The company has led the way in introducing a lifestyle concept to book buying with in-store cafés, reading spaces and up to 200 000 books, DVDs and music titles on display.<sup>9</sup>

The retail shopping environment in both Australia and New Zealand can be described as increasingly complex, challenging and exciting for both consumers and marketers. Many retailers need the ‘wow’ factor—‘That special something that makes a customer’s jaw drop when he or she enters the store, and keep dropping as he or she walks around. To stand out, retailers must recognise that they are in the entertainment business, and borrow tactics from their showbiz brethren’.<sup>10</sup>

As described in the Global Gaze boxed example, the retail environment is changing around the world and consumers expect more than just shops when they visit a shopping centre!

## INTERNET RETAILING

There have been many predictions about the continued growth of online shopping and retailers’ responses to the Internet. Some of the earlier predictions that the Internet would change the face of retailing have not eventuated. During 2001, it is estimated that Australian adults purchased or ordered goods and services for private use worth \$1.9 billion, spending on average around \$1200 each.<sup>11</sup>

It is important for retailers to know not only how many people are using the Internet for shopping, but also how much they are spending, the types of goods and services they are buying and the frequency of their purchases. Table 6.2 overleaf details the purchase of the more popular items bought online by age group, with growth occurring in the purchase of travel, accommodation, entertainment tickets, computer software, food and groceries. There is some variation in type as well as frequency of purchases across several income groups.

Table 6.3 overleaf provides a demographic profile of Australians who are using the Internet for selected transactions. As can be seen, purchasing or ordering online is not represented equally across all demographic segments. However, it is suggested that over time, Internet usage as least will come to be more representative of the country’s demographics.

## Welcome to the world of shopping<sup>12</sup>

### GLOBAL GAZE

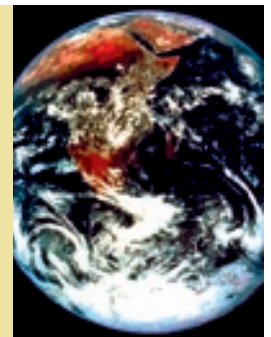
**K**nown throughout Asia and the Pacific as a shopper’s paradise, Singapore’s retail industry is characterised by diversity. Old retail forms like shop-houses and neighbourhood ‘provision’ shops coexist with modern, purpose-built, multistorey shopping centres. Visitors to Singapore always head first to Orchard Road, where shoppers can find world-class shopping, dining and entertainment, day and night. Local and international brands and stores can be found there, providing consumers with a diversity of merchandise. Looking for a book, you can browse away the night at Borders, refreshing yourself with coffee and cake, while relaxing to the sounds of the latest CDs.

Ongoing development of several high-quality shopping centres during the 1990s has seen the one-stop shopping experience become an integral part of Hong Kong lifestyle. Shopping in Hong Kong combines the excitement and fun of street markets with the sophisticated, luxury stores selling the latest overseas designer

clothing and electronics. Many established international brands from Europe, as well as from Japan and Korea, have opened flagship stores to cater to the young and hip consumers.

In Thailand, movie multiplexes, bowling alleys and themed restaurants have become drawcards for shoppers. Over the last decade or so, Malaysia has started to compete with places like Singapore and Hong Kong as a regional shopping destination of excellence. For example, Mid Valley Megamall, which opened in 1999, has become one of the largest and most successful shopping centres in the Asia–Pacific region.

In China, Shanghai, Beijing and Guangzhou have become the first cities to experience a huge retail growth, with many European and American retailers entering the market there. Supermarkets and convenience stores have experienced huge growth as consumers’ disposable income increases and the desire for Western brands continues to flourish.



**Malaysia has started to compete with places like Singapore and Hong Kong**



**TABLE 6.2****Type of Internet purchases or orders by age group, 2002**

	AGE GROUP (YEARS) <sup>(a)</sup>				Total (%)
	18–24 (%)	25–44 (%)	45–64 (%)	65 or over (%)	
Travel or accommodation	36	47	49	*47	46
Books or magazines	17	27	30	**13	26
Tickets to entertainment or the cinema	46	29	25	**11	30
Computer software	8	17	25	*31	18
Music or CDs	17	15	13	**9	15
Food and groceries	*5	16	13	**10	14
Videos or DVDs	16	13	8	**5	12
Financial services	*7	16	11	*21	14
Clothing or shoes, etc.	16	15	8	**6	13
Computer hardware or peripherals	10	7	6	**6	7
Toys	*3	6	*2	—	5
Alcohol	*2	5	6	**6	5
Sporting equipment	*4	5	4	**4	5
Other	12	17	17	*30	17

\*Estimate has a relative standard error of between 25 and 50 per cent and should be used with caution;

\*\*Estimate has a relative standard error greater than 50 per cent and is considered too unreliable for general use; — nil or rounded to zero (including null cells).

<sup>(a)</sup>Percentages are of all persons making purchases or orders via the Internet for private use in each age range.

Source: Australian Bureau of Statistics (2001/2002), *Household Use of Information Technology*, cat. no. 8146.0, ABS, Canberra, p. 41.

**TABLE 6.3****Characteristics of persons making selected Internet transactions, 2002<sup>(a)</sup>**

	INTERNET TRANSACTIONS <sup>(b)</sup>			
	No of persons aged 18 years or over ('000)	Accessed the internet at any site (%)	Paid bills or transferred funds via the internet (%)	Purchased or ordered goods or services via the internet for private use (%)
Age group (years)				
18–24	1905	84	27	16
25–34	2907	78	36	24
35–44	2933	69	30	20
45–54	2645	58	24	16
55–64	1884	42	14	10
65 or over	2230	13	4	2

Sex				
Males	7 177	61	26	16
Females	7 327	56	21	14
Personal income				
\$0–\$39 999	10 584	52	18	11
\$40 000–\$79 999	2 708	80	39	29
\$80 000 or over	556	89	56	43
Labour force status <sup>(c)</sup>				
Employed	9 289	73	31	21
Not employed	5 214	33	9	5
Level of highest educational attainment <sup>(d)</sup>				
Bachelor degree or above	2 431	88	45	34
Advanced diploma or diploma	1 139	77	30	19
Certificate	2 518	56	22	11
Year 12 or below	8 292	48	17	10
Disability status				
Had a disability	5 758	44	16	11
Did not have a disability	8 745	68	28	18
State or territory				
New South Wales	4 897	58	23	17
Victoria	3 663	57	23	14
Queensland	2 703	58	24	14
South Australia	1 134	56	20	12
Western Australia	1 425	64	27	14
Tasmania	345	50	18	14
Northern Territory	106	69	28	22
Australian Capital Territory	231	78	35	29
Region				
Metropolitan areas	9 461	62	26	17
Ex-metropolitan	5 043	51	18	11
Total	14 503	58	23	15

<sup>(a)</sup>More than one transaction may be selected. <sup>(b)</sup>Percentages are of all persons aged 18 years and over in each category. <sup>(c)</sup>Labour force status in week before the survey. <sup>(d)</sup>Excludes those who never attended school and where level was not determined.

Source: Australian Bureau of Statistics (2001/2002), *Household Use of Information Technology*, cat. no. 8146.0, ABS, Canberra, p. 39.



Spending the afternoon with your laptop on a comfy lounge chair in the corner of a coffee shop has a certain appeal. It certainly beats sitting on a yellow plastic chair at McDonald's surrounded by screaming children to write your great novel.

But after 50 years of McDonald's doing all it could to rush customers out the door, the company now wants them to slow down and spend a little time. The fast-food chain is experimenting with wireless Internet connections in a handful of its New York restaurants. Wi-Fi hotspots have been installed in several Manhattan restaurants, allowing customers to surf the Web on their little Mac while they tuck into their big Mac.

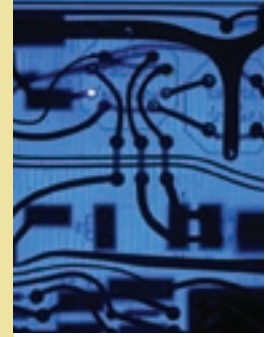
McDonald's is trying to tap into the market of at least 78 million Americans who the company believes spend part of their working day on the road. It is offering one free hour of Internet service with an extra-value meal costing between US\$3.25 and US\$4.75. That's about five to six Australian dollars!

Customers need the proper equipment on their laptop to detect the local network, whether

it is in the restaurant or at another so-called 'hotspot'. A wireless Internet broadcast station tends to cover a radius of about 30 metres. More and more stores, especially independent coffee shops and bookstores, have been using Wi-Fi to woo customers, but now the corporations are moving in.

In 2002, Starbucks started putting Wi-Fi networks into 1200 of its American stores, charging users US\$6 per day or US\$30 per month for unlimited use. Several hotel chains, including Hilton and Marriott, have begun installing systems in foyers, guest rooms and restaurants, and Boeing is putting the technology in aeroplanes. Lufthansa is now offering an in-flight Internet service.

Australia is also getting in on the act. Brisbane City Council is piloting a free wireless Internet access service in Queen Street Mall to allow locals and visitors a chance to keep in touch. People can check their email without having to be near a hard-wired computer. City businesses are also using the service to attract and retain customers, for example by providing access points in coffee shops and bookstores.



**Brisbane  
City Council  
is piloting a  
free wireless  
Internet  
access service**

During 2002, the majority of adult Internet users in Australia did not shop online. As shown in Table 6.4, the most common reasons were: they had no need to or they had not bothered to try; they had concerns about giving their credit card details online; and they had a preference for shopping in person.<sup>14</sup>

Various research studies have identified that some Internet users prefer online shopping over in-store shopping because of its convenience and time-saving potential. But many consumers still like shopping at stores and retail centres because this allows them to see, feel, touch and try on the products before they buy.<sup>15</sup>

Even though convenience is still a prime motivator for shopping online, the role of social interaction is seen as an obstacle to shopping online. Retailers can simulate the features of a physical store online; however, they also need to consider how they can replicate social interaction—perhaps through chat groups or discussion forums with consumers.<sup>16</sup>

As the Cyber Consumer boxed example above illustrates, retailers are examining even more closely the attributes that influence outlet selection, in this case providing additional facilities like Wi-Fi!

## ATTRIBUTES AFFECTING RETAIL OUTLET SELECTION

The selection of a specific retail outlet, whether before or after a brand decision, traditional or online, involves a comparison of alternative outlets on the basis of the consumer's evaluative criteria. This section considers a number of evaluative criteria commonly used by consumers.

Given the dynamic nature of online retailing, research is still somewhat limited on how consumers choose online outlets.

## Outlet image

A given consumer or target market's perception of all the attributes associated with a retail outlet is generally referred to as **outlet image**.<sup>17</sup> This is the same as the concept of brand image discussed in Chapter 9.

Table 6.5 lists nine dimensions of store image and some 23 components of these dimensions identified in a research study.<sup>18</sup> The merchandise dimension, for example, takes into account such components as quality, selection, style and price, while the service dimension includes components related to credit, financing, delivery and sales personnel. The store atmosphere component is primarily emotional or affective in nature. The use of emotion as a benefit is discussed further in Chapter 10.

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**outlet image** a given consumer's or a target market's perception of all the attributes associated with a retail outlet

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Reasons for not purchasing on the Internet, 2002

TABLE 6.4

	AGE GROUP (YEARS) <sup>(a)</sup>				Total (%)
	18–24 (%)	25–44 (%)	45–64 (%)	65 or over (%)	
Have no need or haven't bothered to try	44	30	29	36	33
Security concerns	18	32	33	26	29
Prefer to shop in person	16	20	24	27	21
Privacy concerns	2	3	4	**1	3
Trust concerns	2	1	1	**1	1
Other reasons	18	13	9	9	13
Total	100	100	100	100	100

\*\*Estimate has a relative standard error greater than 50 per cent and is considered too unreliable for general use.

<sup>(a)</sup>Percentages are of all persons who accessed the Internet but did not order or purchase for private use in each age range.

Source: Australian Bureau of Statistics (2001/2002), *Household Use of Information Technology*, cat. no. 8146.0, ABS, Canberra, p. 45.

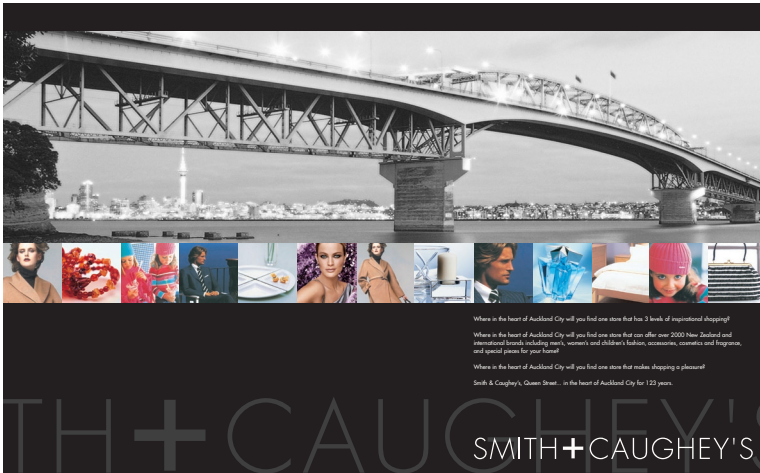
Dimensions and components of store image

TABLE 6.5

Dimension	Component(s)
Merchandise	Quality, selection, style, price
Service	Lay-by plan, sales personnel, easy return, credit, delivery
Clientele	Customers
Physical facilities	Cleanliness, store layout, shopping ease, attractiveness
Convenience	Location, parking
Promotion	Advertising
Store atmosphere	Congeniality, fun, excitement, comfort
Institutional	Store reputation
Post-transaction	Satisfaction

## EXHIBIT 6.2

### New department stores appeal to many different segments



Since the components and dimensions in Table 6.5 were developed for stores, they require some adjustments. For example, 1800 numbers, 24-hour operations and multiple inbound telephone lines (no busy signals) are more relevant to the convenience of telemarketing firms than are location and parking as listed in Table 6.5. In addition, with the increase in the number of consumers using the Internet to buy goods and services, not all of these image dimensions may be relevant, while others may be even more important.

For example, the wide range of goods and services offered over the Internet and, in many cases, the lower prices offered through this medium may be more important to consumers than store atmosphere. For instance, what determines convenience for an Internet site? Researchers are just beginning to investigate the dimensions that influence consumers in their choice of Internet shopping options. Obviously, this information will

be very useful for companies using the Internet to market their goods and services, especially in terms of web page design and layout.

Marketers make extensive use of image data when formulating retail strategies.<sup>19</sup> As Table 6.5 suggests, marketers control most of the elements that determine an outlet's image.<sup>20</sup> Given that differing groups of consumers desire different things from various types of retail outlets, a focused, managed image is essential for most retailers.<sup>21</sup>

Generally, in the past most department stores tried to appeal to many different segments. As a result, they suffered serious losses to more specialised competitors as markets became increasingly segmented during the 1980s. Their images were too diffuse to attract customers. In response, they have sought to evolve into collections of distinctive specialty stores or stores-within-stores, each with a sharply focused image keyed to a well-defined target market.<sup>22</sup> For example, some stores, including David Jones and Smith Caughey's, offer customers specialty fashion stores within their stores (see Exhibit 6.2).

Other outlets concentrate on one or more attributes that are important, either to a segment of consumers or to most consumers in certain situations. Convenience stores such as 7-Eleven in Australia have followed the second approach, which is to provide customers with 'what they want, when they want it, where they want it'. These stores focus on providing convenience for consumers in those situations where convenience is an important attribute. The introduction of Woolworths Plus Petrol stores is another example of attempts by retailers to satisfy several attributes. In 2003 Coles teamed up with Shell to offer customers discount petrol after seeing the apparent success of Woolworths.

For many consumers, convenience is an important criterion in their selection of retail outlets. Supermarkets have responded to this by providing express lanes and establishing smaller supermarkets in various locations providing an increased range of pre-prepared meals for busy consumers. Woolworths Metro stores are one example. In addition, the major supermarket chains now offer shopping over the Internet to maximise consumers' time. For example, both Woolworths and Coles offer online shopping—HomeShop ([www.woolworths.com.au](http://www.woolworths.com.au)) and Coles Online ([www.colesonline.com.au](http://www.colesonline.com.au))—targeting consumers who want ease and convenience in doing their weekly grocery shopping.

Other retail outlets focus on price—the growth of cheap, discount stores such as Cheap as Cheap and The Warehouse have found a ready market in Australasia. 'Whether it's the perceived growing gap between rich and poor or simply that consumers have become more discrete about the brands they buy and the prices they pay, the likes of Go-Lo and Crazy Clarks are giving middle market retailers a run for their money. After all, who wants to buy a bar of soap for \$3.95 if you can buy two for \$2.00 at Go-Lo or Crazy Clark's?'<sup>23</sup>

Hardware chains such as Bunnings have adopted the warehouse retail approach, which provides, in addition to low prices, extended hours, easy parking and access, a wide array of merchandise and a self-service approach but with expert assistance provided to customers when required. These centres have become extremely popular with the growing do-it-yourself market in many cities around Australia.

Both individual stores and shopping areas (central business districts and suburban shopping centres) have images.<sup>24</sup> Therefore, retailers should be concerned not only with their own image but also with the image of their shopping area. In most major cities in Australia and New Zealand, there are shopping areas that have developed distinctive images to cater to specific target segments—whether these images are of exclusivity or ‘great for discount prices’. The ability to aggressively portray a consistent, integrated image is a significant advantage for shopping centres as this positioning can help differentiate between centres and attract the appropriate consumer segments.

For example, in many parts of Australia we have seen the growth in discount fashion precincts providing consumers with a range of clothing outlets. In late 1999, Harbour Town on Queensland’s Gold Coast opened, offering access to brand name manufacturers selling directly to consumers at discount prices. These include Nike, Polo, Ralph Lauren, Esprit, Orotan, Table Eight, Just Jeans, Laura Ashley and Clark’s Shoes. In addition, Harbour Town provides entertainment in the form of cinemas, games area and dining.

## Store brands

Closely related to store image is store brands. At the extreme, the store or outlet is the brand (e.g. stores such as The Body Shop). All items carried in the store are the store’s own brand. Traditionally, retailers carried only manufacturers’ brands but in the 1970s many stores began to develop store brands as low-price alternatives to national brands.

However, increasingly stores are developing and promoting high-quality brands with either the store’s name or an independent name. OPSM offers a range of quality prescription and fashion glasses (see Exhibit 6.3). Such brands not only provide attractive margins for these outlets; if they are developed appropriately, they become an important attribute of the outlet.

The key to success of store brands appears clear—high quality at a reasonable price. Target stores are a good example of an outlet that has successfully developed an image that communicates good quality merchandise at low prices.

Both consumer surveys and academic research indicate that the perception of a store’s brand quality is critical to its success.<sup>25</sup> Stressing quality over price may be particularly beneficial if the brand carries the store’s name or will become associated with the store.

## Retail advertising

Retailers use advertising to communicate their attributes to consumers. An Australian study reported that 56 per cent of respondents found newspapers the most useful medium when purchasing food and groceries, compared with 16 per cent for letterbox promotions and 13 per cent for television advertising.<sup>26</sup> Many consumers seek store and product information from newspaper advertisements prior to purchase.

Of particular importance is the role of **price advertising**. It is clear that this can attract people to stores. An Australian newspaper study found that shoppers at major supermarket chains agreed that price-driven advertising was an important factor when they were selecting where to shop.

### EXHIBIT 6.3

#### Successful creation of a store brand with a quality image

sometimes you want people to see another you

but you still need to see

**FREE contact lens comfort trial**

Things can get ugly when you're not wearing glasses. That's where contact lenses come in. So if you're out socialising, playing sport, or even on a date with that special someone, you'll never be left short-sighted again.

Until March 31<sup>st</sup> OPSM is offering you a FREE contact lens comfort trial\*. It takes about half an hour and you'll be able to see just how comfortable and easy it is to wear contacts. Simply call 13 20 20 or visit [www.opsm.com](http://www.opsm.com)

\*Subject to product availability for ACT/NSW region only. Some restrictions apply. See website for details. Excludes contact with the purchase of another lens or replacement contact.

**OPSM**  
more you

**price advertising**  
advertising based on price alone

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**spillover sales** the additional items purchased by customers who have come specifically to purchase an advertised item

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As Figure 6.1 illustrates, purchases of the advertised item understate the total impact of the advertisement. Customers who have come to purchase an advertised item will also buy additional items. Sales of this type are referred to as **spillover sales**. In the study on which Figure 6.1 is based, spillover sales equalled sales of the advertised items. For every dollar spent on the sale item by people who came to the store in response to the advertising, another dollar was spent on some other item(s) in the store.<sup>27</sup> Retailers considering the benefits of price or other promotions must take into account the impact on overall store sales and profits, not just those of the advertised item. In addition, even though a lot of retail advertising emphasises price, studies have shown that price is not always the most important reason for the selection of a retail outlet by consumers. The message for retailers is to accentuate service, selection or the affective benefits of their outlets.<sup>28</sup>

## 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?

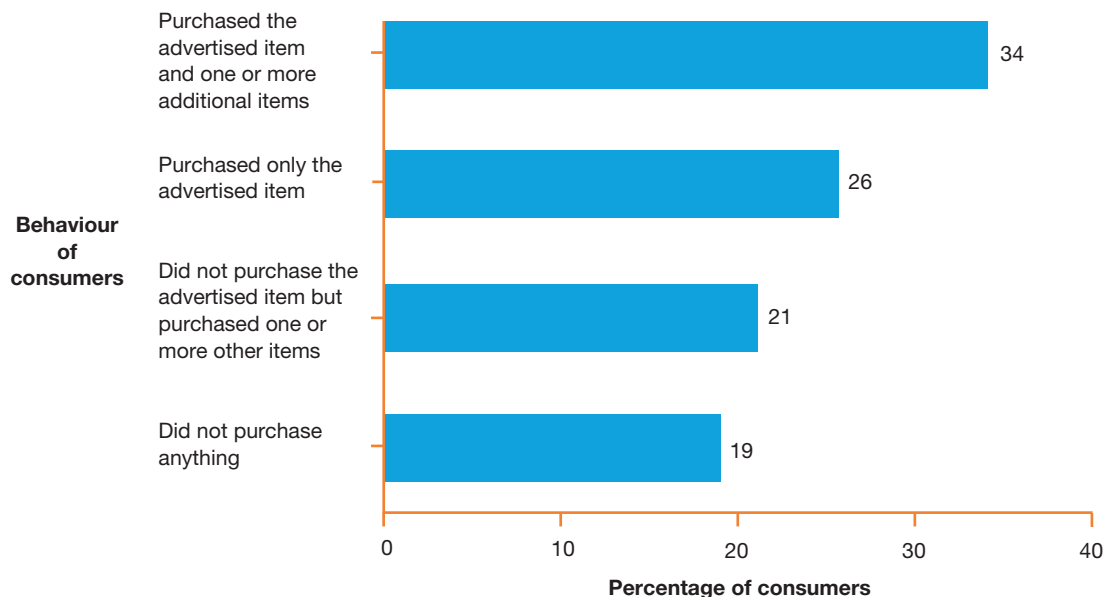
Unfortunately, only limited information is available to guide the marketing manager in these decisions.

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. The best approach seems to be to present the sale price, the regular price and the dollar amount saved. Most consumers understand reference prices and are influenced by them but do not completely believe them. Since price and sale advertising have a strong impact on consumer purchases, the Australian Competition and Consumer Commission, the Ministry of Commerce in New Zealand and most state governments have special guidelines and regulations controlling their use.

Words or phrases such as ‘now only’ or ‘special’ appear to enhance the perceived value of a sale. Unfortunately, these findings vary by product category, brand, initial price level, consumer group

**FIGURE 6.1**

**Expenditures of individuals drawn to a store by an advertised item**





and retail outlet.<sup>29</sup> Which is likely to be seen as better value—‘50 per cent off’ or ‘Buy one, get one free’? It depends on the nature of the item being promoted. For everyday items such as detergent they are viewed as equivalent. However, for perishable items such as bread, ‘50 per cent off’ is seen as better value.<sup>30</sup> Retailers often use terms in their advertising such as ‘30 per cent off’, or ‘save \$10’ to emphasise how large the price reduction is for the item. This reinforces to consumers the fact that they are being offered a saving. The advertisement in Exhibit 6.4 highlights both the sale price and the possible savings.

## Outlet location and size

The location of a retail outlet plays an important role in consumer store choice. If all other things are approximately equal, the consumer will generally select the closest store. Likewise, the size of an outlet is an important factor in store choice. Unless a customer is particularly interested in fast service or convenience, larger outlets are preferred over smaller outlets, all other things being equal.<sup>31</sup>

Several methods for calculating the level of store attraction, based on store size and distance, have been developed. One such model is called the **retail attraction model** (or *retail gravitation model*). A popular way of calculating this model is given by:

$$MS_i = \frac{S_i}{T_{ii}^\lambda} \div \sum_{i=1}^n \frac{S_i}{T_{ii}^\lambda}$$

where  $MS_i$  = market share of store  $i$ ,  $S_i$  = size of store  $i$ ,  $T_{ii}$  = travel time to store  $i$  and  $\lambda$  = attraction factor for a particular product category.

In the retail gravitation model, store size is generally measured in square metres and is assumed to be a measure of breadth of merchandise. Similarly, the distance or travel time to a store is assumed to be a measure of the effort, both physical and psychological, required for reaching a given retail area. Because willingness to travel to a shop varies by product class, the travel time is raised to the  $\lambda$  power.<sup>32</sup> This allows the effect of distance or travel time to vary by product.

For a convenience item or a minor shopping good, the attraction coefficient is quite large, since shoppers are unwilling to travel very far for such items. However, major high-involvement purchases (such as cars) or specialty items (such as wedding dresses) generate greater willingness to travel to distant trading areas.<sup>33</sup> When this is the case, the attraction coefficient is small and the effect of travel time as a deterrent is reduced.

In Australia and New Zealand, people living in outback and rural areas will often travel to regional centres for major purchases. Interestingly, these rural consumers who have increasingly used mail order to supplement their shopping trips are now moving online. The potential Internet impact on regional shopping centres will need to be considered. Often, high-involvement purchases, such as cars, furniture and fashion clothing, are associated with high levels of shopping outside the local community. In contrast, low-involvement purchases, such as groceries, are almost all made locally. These results are exactly what could be predicted using the retail attraction model.

Consumers often combine shopping trips and purposes.<sup>34</sup> A consumer may visit the supermarket, drop off the dry cleaning, have lunch with a friend and get a prescription filled at the chemist. Therefore, 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 can produce value for consumers and increased revenue for the firm.<sup>35</sup> Woolworths/Safeways and Coles have

### EXHIBIT 6.4

Advertisement emphasising both sale price and savings

**BARGAIN BUYS**  
ON SALE THURSDAY 7TH AUGUST UNTIL TUESDAY 19TH AUGUST, UNLESS STOCKS SOLD OUT!

**RED HOT**  
FASHION KNITTING YARN\*  
50g. 10 colours to choose from.  
**\$3.49** half

**20% OFF**  
ALL Denim Fabric  
Includes Jeans and Shorts. Eg. 115cm 8oz Stretch Denim. Reg. \$12.99m  
Now \$10.39m  
Also available: Great new seasonal Denim T-shirts sold by the metre. Simplicity Pattern 9570. Range varies store to store.

**20% OFF**  
ALL Continuous Lace Curtaining\*  
Includes 'By-the-metre', Pre-packs and Bolts. Available in 20 different designs in a variety of drops. Reg. from \$5.99m  
Now from \$4.79m

**40% OFF**  
ALL Long Stem Artificial Flowers\*  
Choose from an extensive selection. Eg. Hydrangea Reg. \$4.99  
Now \$2.99ea

Create a beautiful life. **Lincraft**

\*Not available at Ballerina, Darwin, Hobart, Cairns & Greenburgh. †Not available at Ballerina, Darwin, Mackay & Greenburgh. ‡Not available at Ballerina, Darwin, Mackay, Glen Sheehy & Greenburgh. ††Not available at Darwin.

**retail attraction model** a method for calculating the level of store attraction, based on store size and distance

added liquor outlets to their supermarkets in many locations. Banking facilities have now become a fixture in supermarkets as well.

Additional work in this area has shown that the availability of different transportation modes to retail centres affects consumer patronage.<sup>36</sup> Other attraction models include many of the economic and social aspects of time, money and the value of shopping at a particular retail store.<sup>37</sup> Therefore, the situation is an important determinant of store choice.<sup>38</sup>

## CONSUMER CHARACTERISTICS AND OUTLET CHOICE

The preceding discussion 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. Two consumer characteristics particularly relevant to store choice are **shopping orientation** and **perceived risk**.

### Shopping orientation

Individuals go shopping for more complex reasons than simply to acquire 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' sales assistants) have been reported as non-purchase reasons for shopping.<sup>39</sup> The relative importance of these motives varies both among individuals and within individuals over time as the situation changes.<sup>40</sup> An individual's 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. For example, one study found that retail work experience, stage in the household life cycle and income all contribute to predicting shopping orientation.<sup>41</sup> A number of studies have described commonly held shopping orientations.<sup>42</sup> Retailers can segment the market with regard to customers' shopping characteristics and habits, enabling them to target their products, services and promotional activities at these customers more effectively. The set of shopping orientations of Australian shoppers shown in Exhibit 6.5 could be one way for retailers to understand their customers. The advertisements in Exhibit 6.6 are targeted at consumers with a Born to Shop shopping orientation.

#### shopping orientation

the particular approaches or patterns of external information search and outlet selection formed by consumers

#### perceived risk

the risk, in the view of the consumer, attached to the purchase of a product

### EXHIBIT 6.5

#### Shopping orientations of Australian shoppers

The *Adventurous* shoppers compose 24 per cent of the population, are predominantly male, sociable, in their late 30s, single and moderately educated, like tough physical activity and have an above-average income.

The *Born to Shop* and the *Fashionables* each compose 17 per cent of the population, and women dominate both groups. The groups earn above-average incomes, drink more wine than the average consumer, purchase small indulgences and enjoy taking intrastate holidays and weekends away.

The *Professionals* compose only 4 per cent of the population but 12 per cent of potential buyers, making them the biggest spenders per capita. They prefer spending on experiences,

such as food and entertainment, rather than products. They window-shop regularly, but purchase with care. They make up a large part of the do-it-yourself market for furnishings and home renovations.

The *Low Risk* and *Practical* shoppers are job oriented, have low social needs, little ambition, a frugal streak and rigid values, and support law over freedom. They consider sweets and soft drinks as treats and order large amounts of take-away food and beer but rarely purchase 'extra' items.

Those most able to resist the lure of consumerism are the *Elderly* and the *Practical*. Combined, the *Elderly*, *Low Risk* and *Practical* shopper categories comprise only 15 per cent of potential buyers.

Source: F. Carruthers (1997), 'Man's Final Frontier ... the Shops', *Australian*, 22 July.





**DON'T HAVE A THING TO WEAR?**







**ASK THE STRAND ARCADE'S PERSONAL STYLIST FOR ADVICE**

Whether it's a whole new workable wardrobe, help finding a perfect outfit for a special occasion or simply to update your existing look, let our expert stylist assist you. Styling sessions are available by appointment only. For further details phone 9232 4199 during office hours.

As a special introductory offer, the first 20 people to book a two-hour styling session will receive their first hour free.

ALWAYS IN FASHION



**STRAND ARCADE**

Lisa Mc-Victoria Spring-Third Millennium-Beltra Lano-Zimmerman-Wayne Cooper-Victoria Buckley-Melissa Ham-Billion Dollar Babes-Fangee Women-Sange Michael Hicks-Berna-Dup Jewellery & Clothing-Zambelli-Funks-Shepherd-Victoria Boulikas-Zambelli Donna-Gary Castles Sydney-Azmarah Hill-Nin Toska-Farage Man-Burak Director Design-Love & Hatred-Alex Perry-Luxe-Virginia Riley-Fabrics Couture-Marta Sari-Raez Boutique-Raphael Jewellers-Joye M Underfashions

Pitt Street Mall Sydney [www.strandarcade.com.au](http://www.strandarcade.com.au)

Shopping orientation influences both the specific retail outlet selected and the general type of outlet. For example, shoppers who derive little or no pleasure from the shopping process itself are prime markets for convenience stores and in-home shopping (catalogues, telephone selling and online services). Given the valuable strategic insights provided by thorough shopping-orientation studies, this method of segmentation will certainly play an increasingly important role in retail management.

Studies have been conducted on Australian grocery shoppers' orientations and highlight the fact that shoppers can be segmented using a range of factors, including price-consciousness, desire for quality and demand for prepared nutritious meals.<sup>43</sup> These types of studies offer retailers opportunities to develop marketing strategies to appeal to these different segments. For example, Exhibit 6.7 overleaf illustrates four distinct shopping orientations for Australian grocery shoppers.

With the growth of online shopping, more research into shopping orientations with respect to online grocery buying has taken into consideration which categories of shoppers are most likely to adopt online shopping. Exhibit 6.8 on p. 162 describes one classification of online shopping orientations with respect to grocery buying. How might grocery retailers target these different segments?

## Perceived risk

The purchase of any product involves a certain amount of risk, which may include financial, performance, and psychological or social consequences. As discussed in Chapter 4, risk can greatly influence the level of information search. Certain products, because of their expense or technical complexity, represent high levels of **financial risk**. Products closely related to a consumer's public image present high levels of **social risk**.

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**financial risk** a consumer's perceived risk to his or her financial status as a result of the purchase of a product

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**social risk** a consumer's perceived risk to his or her public image as a result of the purchase of a product

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*Supermarket Lover:* Very pro-supermarket, enjoys grocery shopping and would love to do more of his or her shopping in supermarkets. One of out every three household grocery shoppers is a Supermarket Lover.

*Price-Conscious Shopper:* Driven by low prices, more so than other shoppers. Also prefers the quality of fresh fruit, vegetables and meat from the local shop rather than the supermarket.

*Elitist:* Seeks more of a quality shop atmosphere with expert and friendly staff and good-quality fresh products. Price is less important; prefers home cooking using fresh, raw ingredients; ready-to-prepare foods have little appeal.

*Ready-to-Eater:* Prefers easy and ready-prepared meals to heat and serve at home, as a take-away or to eat out.

Source: Adapted from Australian Supermarket Institute (1997), *The Australian Supermarket Shopper—Attitudes and Behaviour 1996–97*, Sydney.

- *Traditionalists* represent the majority of the population. They include middle-class housewives with children who shop frequently and are indifferent to technology. Most of these consumers do not have a computer at home and few have Internet access. They like to see the products they buy and quite enjoy the social interaction possible with retail shopping, so they are not really interested in e-grocers. They prefer to patronise the suburban shopping mall or their local large supermarket.
- *Passive Shoppers*, on the other hand, are quite excited by technology. Moreover, they loathe grocery shopping and so tend to favour smaller supermarkets or convenience stores such as those that they drive past on their way home from work. These consumers are usually brand loyal so they know which brands of groceries they need from one week to the next and they enjoy the relaxed way of shopping afforded by e-grocers.
- *Value Seekers* are younger and more involved shoppers. They are typically unsatisfied by current shopping alternatives. In terms of technology, they are more excited by digital televisions or cameras and mobile phones, which fit more directly into their current lifestyle, than by computers or the Internet as such. They are interested in, but also somewhat sceptical about, e-grocers.
- *Modern Responsibles* are excited about technology. Not only do they have a computer and Internet access at home, but they are also more frequent pay TV subscribers. They tend to work full time and spend a lot on groceries. They favour family time and surfing the Net. As a result, they find e-grocers an appealing alternative to normal retail.
- *Time Starved* are a high socioeconomic group of shoppers who never have enough time in their day. They spend a lot on groceries but dislike the experience of grocery shopping. They are excited by technology and, with a high rate of Internet access, see e-grocers as a preferable alternative for their grocery shopping.

Source: Adapted from Roland Berger & Partners (2000), 'Shoppers are Yet to Click with e-Grocers', *Business Review Weekly*, 4 August, pp. 63–40.

Table 6.6 shows that socks and petrol are low in financial and social risk, while hairstyles and gifts are low in financial risk but high in social risk. Other products, such as lawnmowers and car repairs, are low in social risk but high in financial risk. Finally, cars and living-room furniture are high in both financial and social risk.<sup>44</sup>

The Heart Foundation's 'Tick' Program consumer advertising campaign has been very effective in helping consumers to reduce their perceived risk when purchasing grocery items (see Exhibit 6.9).

Table 6.6 also indicates the role of the situation in perceived risk. Wine is shown as low in both social and financial risk when consumed at home, but high in social risk when served while entertaining.

The perception of these risks differs among consumers, based in part on their past experiences and lifestyles. For this reason, perceived risk is considered a consumer characteristic as well as a product characteristic.<sup>45</sup> For example, while some individuals would feel no social risk associated with the brand of mountain bike owned, others might well feel the risk.

Like product categories, retail outlets are perceived as having varying degrees of risk. Traditional outlets are perceived as low in risk, while more innovative outlets, such as direct mail or the Internet, are viewed as higher in risk.<sup>46</sup>

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

- Non-traditional outlets need to minimise the perceived risk of shopping if they sell items with either a high financial or social risk.
- Telemarketing firms can help to reduce perceived risk by stressing the 1800 number for ordering, free shipment, the availability of 24-hour customer service telephones with trained assistants and a 100 per cent satisfaction guarantee. Word of mouth from satisfied customers can reinforce these advertised policies.
- Non-traditional outlets, particularly discount stores, need brand name merchandise in those product categories with high perceived risk. In Australia and New Zealand, Kmart is pursuing this strategy as well as trying to upgrade its overall image. Kmart carries brand names such as Victa, Bonds, Hoover and Black & Decker.

## EXHIBIT 6.9

### Offer of a reduction in perceived risk when purchasing groceries

*HOW MUCH FAT, SALT OR SUGAR?  
I SIMPLY TRUST MY HEART.*

The Heart Foundation's Tick of approval makes it easy for you to make the healthier choice in foods without changing your eating patterns. The Tick identifies foods that meet the Heart Foundation's Guidelines for Tick Approval. For example, foods with less saturated fats, salt or sugar or increased fibre. The Tick is not granted lightly. Foods must meet the Foundation's standards, then random testing is undertaken to monitor compliance. There are over 1,100 foods with the Tick, so you can make the healthier choice without denying yourself the foods you like, or trading off taste and satisfaction. The Heart Foundation does all the hard work for you, so all you need to do is enjoy life.

  
THE SMALL STEP THAT MAKES A BIG DIFFERENCE

  
**Heart Foundation**  
www.heartfoundation.com.au

Financial and social risks for various types of products

TABLE 6.6

FINANCIAL RISK		
SOCIAL RISK	Low	High
Low	Wine (home use) Socks Kitchen supplies Pens/pencils Petrol	Lawnmower Car repairs Washing machine Insurance Doctor/solicitor
High	Fashion accessories Hairstyles Gifts Wine (entertaining) Aerobics clothes	Business suits Living-room furniture Car Mountain bike Ski outfit

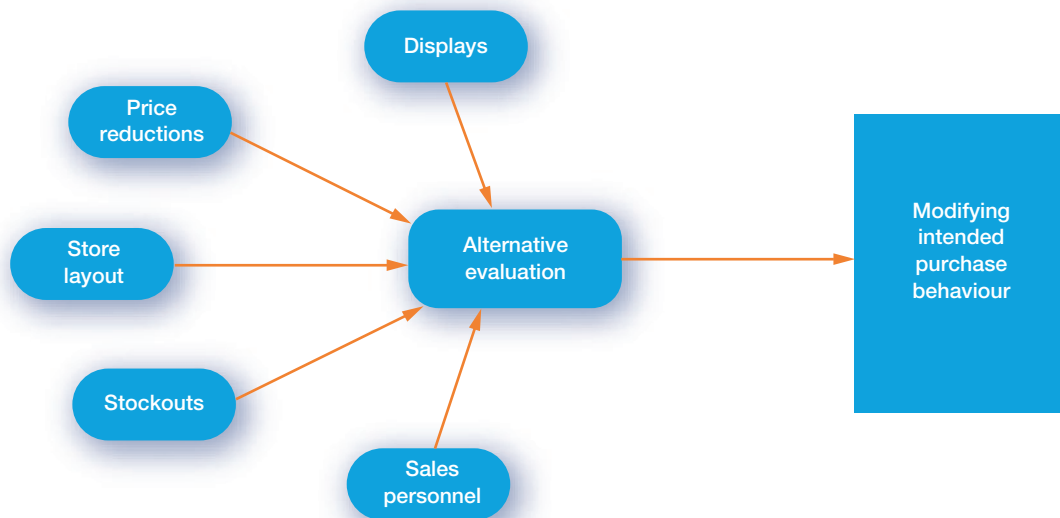
- Traditional outlets have a major advantage with high perceived risk product lines. These lines should generally be their primary strategy focus. Low-risk items can be used to round out the overall assortment. These items can be promoted through point-of-purchase materials and price discounts.
- Financial risk can be reduced through warranties and similar policies.
- Social risk is harder to reduce. However, a skilled sales force and known brands can help to reduce this type of risk.<sup>47</sup>

## IN-STORE INFLUENCES THAT ALTER BRAND CHOICES

It is not uncommon to enter a retail outlet with the intention of purchasing a particular brand and leave with a different brand or additional items. Influences operating within the store induce additional information processing and subsequently affect the final purchase decision. This section examines five variables that, singly and/or in combination, influence brand decisions inside a retail store: point-of-purchase displays, price reductions, store layout, stockout situations and sales personnel. As illustrated in Figure 6.2, each of these influences has the potential to alter a consumer's evaluation and purchase behaviour.

**FIGURE 6.2**

In-store influences that impact on evaluation of alternatives, and purchase



## THE NATURE OF UNPLANNED PURCHASES

**unplanned purchases**  
*purchases that a customer did not intend to buy before entering a store*

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 generally as purchases made in a store that are different from those the consumer planned to make prior to entering the store.

The term 'unplanned purchase' implies a lack of rationality or alternative evaluation. However, this is not necessarily true.<sup>48</sup> The decision to purchase Birds Eye peas rather than Watties peas because Birds Eye peas are on sale is certainly not illogical. Nor is an unplanned decision to take advantage of the unexpected availability of fresh asparagus.

Far more useful marketing strategies will result if we consider in-store purchase decisions as the result of additional information processing within the store, rather than considering these purchases to be random or illogical.<sup>49</sup> This approach allows the marketer to use knowledge of the target market, its motives and the perception process to increase sales of specific items.



Studies of purchasing decisions in supermarkets use the following category definitions:

- 1 *Specifically planned decision.* A specific brand or item decided on before visiting the store and purchased as planned.
- 2 *Generally planned decision.* A pre-store decision to purchase a product category, such as vegetables, but not the specific item. This decision could also be the intention to buy a generic product (e.g. toothpaste) without specifically looking for any particular brand (e.g. Colgate).
- 3 *Substitute decision.* A change from a specifically or generally planned item to a functional substitute.
- 4 *Unplanned decision.* An item bought that the shopper did not have in mind when entering the store.
- 5 *In-store decisions.* The sum of generally planned, substitute and unplanned purchases.

Unplanned purchases as defined above can be further divided 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 he or she has almost run out of them at home.<sup>50</sup> An impulse purchase would occur when a consumer sees a chocolate bar in a store and buys it with little or no deliberation as a result of a sudden, powerful urge to have it.<sup>51</sup>

Table 6.7 provides some of the results of a global consumer habits study comparing European countries with Australian findings (using the categories mentioned above). It suggests that a significant number of major buying decisions are made in-store, which reinforces the important opportunity for supermarkets to increase sales of particular brands.

Table 6.8 overleaf illustrates the extent of purchasing decisions that are not specifically planned. It reveals that consumers make many brand decisions after entering the store. Therefore, marketing managers must not only strive to position their brands in the target market's evoked set, they also must attempt to influence the in-store decisions of their potential consumers. Retailers must not only attract consumers to their outlets but should also structure the purchasing environment in a way that provides maximum encouragement of unplanned purchases.

In-store marketing strategies are particularly important for product categories characterised by very high rates of in-store purchase decisions. For example, magazines and newspapers (89 per cent purchased as a result of in-store decisions) and first-aid products (93 per cent in-store decisions) represent major opportunities. In contrast, fresh fruit and vegetables and coffee represent less opportunity for in-store marketing strategies.

Some of the variables that manufacturers and retailers can alter to influence in-store decisions are described below.

## Point-of-purchase (POP) displays

**Point-of-purchase (POP) displays** are common in the retailing of many products, and the impact that these displays have on brand sales is often enormous. Point-of-purchase expenditure in Australia is estimated at approximately \$3 million per annum.<sup>52</sup> With the development of interactive and illuminated POP displays, there are opportunities to enhance product promotion to consumers.

---

**reminder purchases**  
purchases that are made as a result of the consumer seeing a product, which acts as a reminder that he or she needs it

---

**impulse purchases**  
purchases made in a store that are different from those the consumer planned to make prior to entering the store

---



---

**point-of-purchase (POP) displays** a device used by marketers and retailers at the point of sale to inform consumers or encourage them to buy

---

In-store buying habits						TABLE 6.7
	United Kingdom	The Netherlands	Belgium	France	European average	Australia (test)*
Specifically planned	24.5%	19.6%	36.1%	24.0%	24.8%	30.0%
Generally planned	8.0%	23.7%	9.1%	12.0%	13.2%	10.0%
Substitute product	3.7%	4.3%	4.0%	6.0%	4.5%	11.0%
Unplanned decision	63.8%	52.5%	55.0%	58.0%	57.3%	49.0%

\*Given that the Australian result was a small test sample, care should be taken in analysing some of the results.

Source: T. Harris (2000), 'In-Store Buying Habits Exposed', *Professional Marketing*, April/May, p. 25.

TABLE 6.8

## Shopper purchase behaviour

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

Source: <sup>(a)</sup>POPAI (1995), *1995 POPAI Consumer Buying Habits Study*, POPAI, Englewood, NJ; <sup>(b)</sup>POPAI (1992), *1992 POPAI/Horner Canadian Drug Store Study*, POPAI, Englewood, NJ.

Figure 6.3 provides an indication of this impact for six product categories. Note the impact that product type has on the effectiveness of POP material. Although the sales impact of displays and advertisements varies widely between product classes and between brands within a product category, there is generally a strong increase in sales when displays are used.<sup>53</sup>

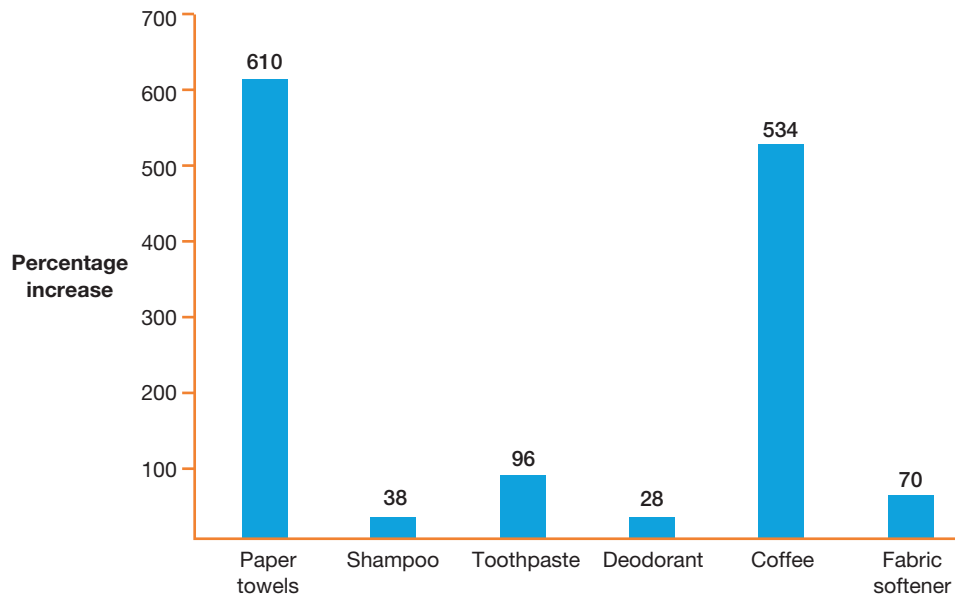
When effective in-store displays are combined with advertising, the results can be greater than the sum of the two individually. In other words, there is often a synergetic interaction occurring when both in-store displays and advertising are used in combination. Companies are using a range of more elaborate and interactive point-of-purchase displays to attract consumers' attention in-store. The example in Exhibit 6.10 illustrates the innovative displays that companies are using to attract consumers' attention while in the store.

In addition, more and more manufacturers are using supermarket trolley advertising to reach consumers right at the final point of purchase, placing advertising signs on the inside front and outside front of shopping trolleys.

## Price reductions and promotional deals

Price reductions and promotional deals (discounts and gifts) are almost always accompanied by the use of some point-of-purchase materials. Therefore, the relative impact of the reductions or promotions on their own is sometimes unclear.<sup>54</sup> Even so, there is sufficient evidence that in-store price reductions affect brand decisions. The general pattern 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.<sup>55</sup>

Sales increases in response to price reductions come from four sources:<sup>56</sup>



Source: Point-of-Purchase Advertising International (1993), *The POPAI/Kmart/Procter & Gamble Study of P-O-P Effectiveness in Mass Merchandizing Stores*, Washington, DC, 1993, ©.

- 1 Current brand users may buy ahead of their anticipated needs (**stockpiling**); and stockpiling often leads to increased consumption of the brand since 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 Non-product category buyers may buy the brand because it now has 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.

**stockpiling** buying goods ahead of anticipated needs

Therefore, consumer response to price reductions is complicated. Further, consumer response offers different advantages to the retailers and the manufacturer.

Not all households respond in the same way to price reductions and deals. Available evidence suggests that households with ample resources (those with a strong financial base rather than a high income) are more likely to take advantage of deals than are other

### EXHIBIT 6.10

Using innovative displays to attract customers' attention





## EXHIBIT 6.11

This advertisement provides consumers with promotional offers to maximise unplanned purchases



**store layout** *the physical location of items in a store*

**store atmosphere** *the way the store's internal environment affects the shopper's mood and willingness to visit and linger*

**servicescape** *all the elements of the physical environment of service delivery*

**atmospherics** *the process managers use to manipulate the physical retail environment to create specific mood responses in shoppers*

and brands. Typically, the more visibility a product receives, the greater the chance that it will be purchased.

For example, a chain of grocery stores altered its standard **store layout** format when it acquired an odd-shaped property for a new store. The main change involved moving the delicatessen section, normally located near the meat section at the rear of the store, to a heavy-traffic area near the front of the new store. The impact was unexpected. The delicatessen section accounted for 7 per cent of the store's sales, rather than the normal 2 per cent. This increased profits as the delicatessen items averaged 35 per cent gross margin, compared with 10 per cent gross margin for most other items in the store. The chain began using the new layout for all future stores because of its dramatic effect on consumer purchase patterns and store profits.<sup>59</sup>

## Store atmosphere

While a store's layout has an influence on the traffic flow through the store, the **store atmosphere** or internal environment affects the shopper's mood, and willingness to visit and linger. It also influences the consumer's judgments of the quality of the store and the store's image.<sup>60</sup> Perhaps more importantly, a positive mood induced while in the store increases satisfaction with the store, which can produce repeat visits and store loyalty.<sup>61</sup> Atmosphere is referred to as **servicescape** when describing a service operation such as a bank or restaurant.<sup>62</sup> Features such as lighting, layout, presentation of merchandise, fixtures, floor coverings, colours, sounds, odours, dress and behaviour of sales personnel, and the number, characteristics and behaviour of other customers can influence atmosphere. **Atmospherics** is the process managers use to manipulate the physical retail environment to create specific mood responses in shoppers. Internet retailers also have atmospheres that are influenced by graphics, colours, layout, content, entertainment features, tone, and so on.<sup>63</sup>

An example of the impact of service scope was presented in Table 2.1 in Chapter 2, which showed how playing fast-tempo background music decreased and slow-tempo background music increased the amount of time restaurant patrons spent in the restaurant, the per-table consumption of bar beverages and the gross margin of the restaurant.<sup>64</sup> Music can have a major impact on the store environment. It has been shown to influence the time spent in the store, the mood of the consumer and the overall impression of the outlet.<sup>65</sup> It is, however, important to match the music to the target audience. Some studies have also identified the influence of odours on shopping behaviours.<sup>66</sup> Like music, odour preference varies across customers and it is important to ensure that the aroma is not unpleasant to target customers.<sup>67</sup>

households.<sup>57</sup> Stores oriented towards financially established consumers can anticipate a strong response to price reductions and other promotional deals. Similarly, products subject to stockpiling by consumers (non-perishables) exhibit more price elasticity than do perishable products—in other words, consumers will respond more to price changes for products that are non-perishable.<sup>58</sup>

The advertisement in Exhibit 6.11 for Estée Lauder is offering a gift with purchase to encourage unplanned purchases.

## Store layout

The location of items within a store has an important influence on the purchase of both product categories

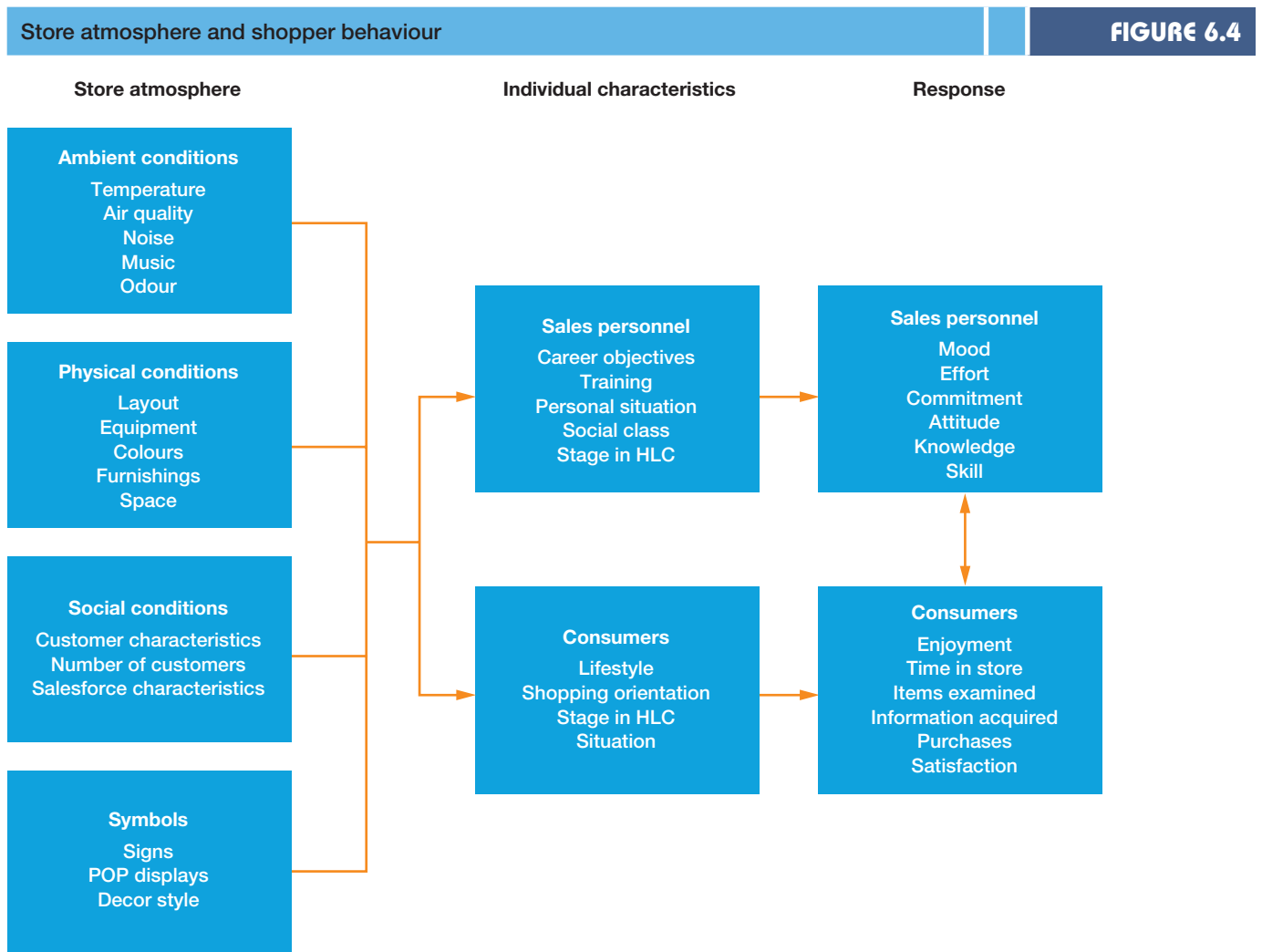
Most of the factors that influence store atmosphere are under the control of management and should therefore be carefully considered in order to improve profitability. Techniques that could be used to create an appropriate store atmosphere include the following:

- Painting bright-coloured interior walls beige and installing a neutral-coloured carpet. Rainbow hues and patterns may look very good as a backdrop, but they detract from the merchandise.
- Rejecting long, supermarket-style aisles in favour of short aisles in a honeycomb-maze arrangement. This way, shoppers keep encountering aisle ends, or ‘windows’, in retail jargon, that are eye-catching places to display products.
- Installing more interior walls. This helps to organise products by category, while boosting available display space by as much as 25 per cent.<sup>68</sup>

Figure 6.4 highlights the way that store atmosphere can influence shopper behaviour.

## Stockouts

A stockout occurs when the store is temporarily out of a particular brand or product and may affect consumer purchase decisions. The consumer must decide between buying the same brand but at another store, switching brands, delaying the purchase and buying the desired brand on the



Source: Adapted from M. J. Bitner (1992), ‘Servicescapes’, *Journal of Marketing*, April, pp. 57–71. Published by the American Marketing Association; reprinted with permission.

**stockout situation**

*a situation that occurs when a store is temporarily out of a particular brand or product*

next trip to the store, or going without the purchase altogether. In addition, the consumer's verbal behaviours and attitudes may change. Table 6.9 summarises the impact of a **stockout situation**.<sup>69</sup>

None of the likely outcomes is particularly favourable for the original store or brand. For example, three of the four purchase behaviours involve buying a different brand from the desired brand or delaying the purchase. If a different brand is purchased, it is more likely to be repurchased in the future than it would be had the original brand been available. The manufacturer stands to lose both current and future sales. Therefore, effective distribution and inventory management is critical for both manufacturers and retailers.

The behaviour a shopper engages in will depend on his or her loyalty to the out-of-stock brand, the store and the shopping situation. Figure 6.5 outlines common negative responses to stores that are frequently out of advertised specials.

## Sales personnel

Sales personnel can have a major impact on consumer purchases. In fact, many department stores are placing increased emphasis on training their sales force effectively. A study by the Australian Supermarket Institute on the shopping habits and attitudes of consumers found that having courteous and friendly staff was among the most important reasons for deciding where to shop for food.<sup>70</sup>

For most low-involvement decisions, self-service is predominant. But as purchase involvement increases, the likelihood of interaction with a salesperson also increases. Most studies of effectiveness in sales interactions have focused on high-involvement purchases, such as insurance, cars and industrial products.

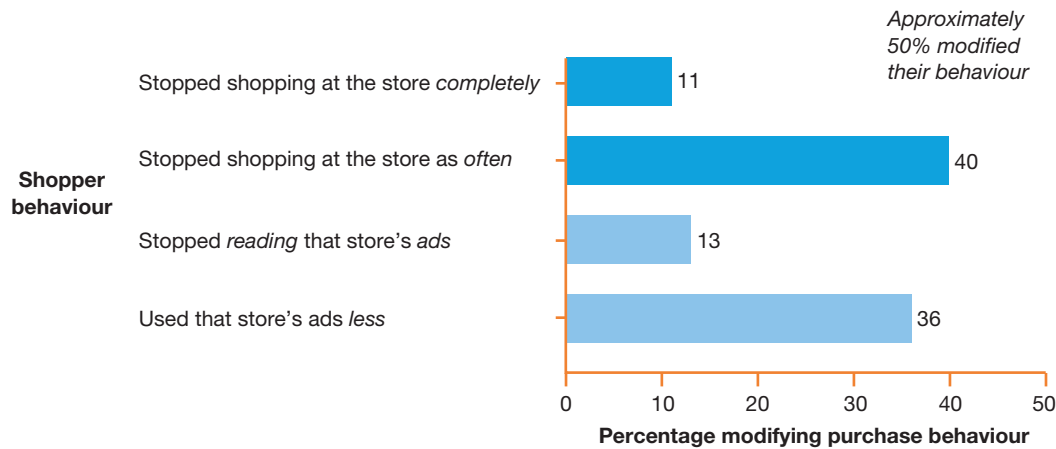
There is no simple explanation for effective sales interactions. However, we do know that the effectiveness of the sales effort is influenced by the interactions of:

- the salesperson's knowledge, skill and authority
- the nature of the customer's buying task
- the customer–salesperson relationship.<sup>71</sup>

**TABLE 6.9**

**Impact of a stockout situation**

Impact on	Effect
Purchase behaviour	<ul style="list-style-type: none"><li>• Purchasing a substitute brand or product at the original store. The substitute brand/product may or may not replace the regular brand in future purchases.</li><li>• Delaying the purchase until the brand is available at the original store.</li><li>• Forgoing the purchase entirely.</li><li>• Purchasing the desired brand at a second store. Either all of the items initially desired or the stockout items only may be purchased at the second store. The second store may or may not replace the original store on future shopping trips.</li></ul>
Verbal behaviour	<ul style="list-style-type: none"><li>• The consumer may make negative comments to peers about the original store.</li><li>• The consumer may make positive comments to peers about the substitute store.</li><li>• The consumer may make positive comments to peers about the substitute brand/product.</li></ul>
Attitude shifts	<ul style="list-style-type: none"><li>• The consumer may develop a less favourable attitude towards the original store.</li><li>• The consumer may develop a more favourable attitude towards the substitute store.</li><li>• The consumer may develop a more favourable attitude towards the substitute brand/product.</li></ul>



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

## PURCHASE

Once the brand and the store have been selected, the consumer must complete the transaction. This involves what is normally called 'purchasing' the product. Traditionally, this involved giving money to acquire the rights to the product. However, Australian consumers already have access to electronic methods of payment, such as EFTPOS. Instead of paying for groceries with cash, it is now common for customers to use an electronic transfer of funds system using the same cards they use for their personal banking.<sup>72</sup>

One of the major concerns with online purchase is the security risk. This is another obstacle for online purchase and continues to deter consumers from using the Internet for shopping. As such, there is continuing research into the development of safe transaction systems.

Credit also still plays a major role in consumer purchases in Australia and New Zealand. Without credit, a great many purchases simply could not be made. The use of credit cards such as Bankcard, VISA, MasterCard, Diner's Club and American Express, store charge cards such as Coles Myer and David Jones, and company cards is providing an increasingly popular way of financing a purchase decision.

Of course, credit is not only a means to purchase a product; it is a product itself. The decision to purchase a relatively expensive item may trigger problem recognition for credit. Since a variety of forms of credit are available, the decision process may have to be repeated for this problem.

As highlighted in the Ethical Edge boxed example overleaf, the issue of using credit as a means of payment does raise some concerns among public policy advocates.

Businesses need to simplify the actual purchase as much as possible. This involves strategies as simple as managing the time spent in the line at the checkout to more complex operations, such as computerised credit checks to minimise credit authorisation time. Many businesses tend to overlook the fact that the actual purchase act is generally the last contact the consumer will have with the store on that trip. While first impressions are important, so are final ones. Store personnel need to be not only efficient at this activity but also helpful and personable. Their behaviours and attitudes reflect the image the store wants the customer to leave with.

a growing number  
of people in  
lower income  
brackets cannot  
manage the  
credit they  
have been given

One minute you can spend up to \$2000 on your credit card and the next your credit card provider is offering to double your limit to \$4000—and the good news is contained in a letter that emerges out of the blue in your letterbox. Catherine Wolthuizen, senior policy officer, financial services, at the Australian Consumers Association (ACA) believes the practice of extending unsolicited credit is resulting in people taking on levels of credit card debt they cannot handle. Anecdotal evidence from financial counsellors indicates that a growing number of people in lower income brackets cannot manage the credit they have been given.

But the banks and major credit card providers say there is no problem—in fact, it is quite the reverse. They point to the record low default level on Australia's 9.5 million credit cards over the past two to three years. The processes involved in making unsolicited offers to increase credit limits are more effective and considered than if all credit limit increases were restricted to customer applications.

Nicola Sabin of the National Australia Bank says: 'Our processes in offering limit increases are based on a dynamic picture of how our customers are managing their credit with us—much better than looking at just salary. We have looked at our limit increase data and there is no

correlation between those that have increased their limits and those that default.'

Global credit card giant VISA also rejects the claim in its November 2002 *Credit Card Report*. VISA says that in the year to 30 June 2002, Australians repaid \$98 for every \$100 they spent on credit cards. VISA says that the average credit card limit rose from \$2801 in 1994 to \$6308 by June 2002, but that this is partly due to economic growth. 'The current level of defaults (1.93 per cent) is 40 per cent less than it was five years ago, and is trending downwards', VISA's report states. 'The downward trend in default rates provides compelling evidence that credit card debt is not making life financially more difficult for households.'

The practice of making unsolicited offers to increase credit limits is already banned in the ACT and, if the ACA has its way, the amendment to the *Fair Trading Act 1992* introduced in the ACT in November 2002 will be adopted nationally.

Catherine Wolthuizen says that the level of credit card debt default appears to be at an historic low because people use credit cards more as a payment facility for bills and so on that they pay off regularly. This additional activity is masking the people who are continuing to carry debt on their cards.





### MAX YOUR MARKS!

Thirty interactive questions on this chapter are available now at the Online Learning Centre that accompanies this text—[www.mhhe.com/au/real4e](http://www.mhhe.com/au/real4e). (For access to MaxMark, please refer to the front of the text.)

## SUMMARY

### 1 How is the traditional retail environment changing?

A substantial amount of retail trade occurs in non-store settings, such as garage sales, weekend markets, farmers markets and consumer-to-consumer sales (through classified advertisements and noticeboards). In Australia, many major department, grocery and variety stores have developed an online presence, but the majority of sales still come from their physical outlets. Online auctions are beginning to grow in popularity and have redefined business for collectors, resellers, consumers and shipping companies. More consumers are moving to online shopping, so retailers are focusing on innovative ways to lure them back into their stores. Traditional store-based retailing is also experiencing a rejuvenation.

### 2 What trends are occurring in Internet retailing?

For many traditional retailers, the decision to venture into online retailing is a difficult and complex one. Even with the potential benefits to be gained, the risks are high. Some retailers are developing alliances with e-commerce companies to reduce their financial risk. However, research to date suggests that only a small percentage of the consumer market will move to an online shopping experience. Most consumers still seek the pleasure of shopping in a bricks-and-mortar store.

Various studies have identified that some Internet users prefer online shopping because of its convenience and time-saving potential. But many consumers still like shopping at stores and retail centres because they can see, feel, touch and try on the products before they buy. Although convenience is a prime motivator for online shopping, the role of social interaction is seen as an obstacle. Retailers can simulate the features of a physical store online, but they also need to consider how they can replicate the social interaction—perhaps through chat groups or discussion forums with consumers.

### 3 What factors affect retail outlet selection?

A store's image and the type and amount of retail advertising can often exert important influences as evaluative criteria. The major dimensions of store image include merchandise, service, clientele, physical facilities, convenience, and promotion and store atmosphere.

Outlet location is an important attribute for many consumers, with closer outlets being preferred over more distant ones. Larger outlets are generally preferred over smaller outlets. These variables have been used to develop retail gravitation models, which can predict the market share of competing shopping areas with reasonable accuracy.

### 4 Why can consumer characteristics affect outlet selection?

Shopping orientation refers to the general approach a consumer takes to acquiring both brands and non-purchase satisfaction from various types of retail outlets. Knowledge of a target market's shopping orientations for a product category is extremely useful when structuring retailing strategy. For consumers the purchase of any product involves a certain amount of risk, which may include financial, performance and psychological or social consequences.

### 5 What in-store influences can affect brand choice?

While in a store, consumers often purchase a brand or product that differs from their plans made before entering that store. Such purchases are referred to as unplanned purchases, and the decisions can be the result of additional information processing induced by in-store stimuli. Point-of-purchase displays, price reductions, store layout, sales personnel and brand or product stockouts can have a major impact on sales patterns.

## 6 How can marketers capitalise on these influences?

Consumers must select outlets as well as products. There are three general ways these decisions can be made: brand and outlet simultaneously; item first, outlet second; or outlet first, item second. Both the manufacturer and the retailer must be aware of the decision sequence used by the target market, as this will have a major impact on their marketing strategy.

Marketing managers must not only strive to position their brands in the target market's evoked set, they also must attempt to influence the in-store decisions of their potential consumers. Retailers must not only attract consumers to their outlets, but should also structure the purchasing environment in a way that provides maximum encouragement of unplanned purchases.

## KEY TERMS

- atmospherics 168
- financial risk 161
- impulse purchases 165
- outlet image 155
- perceived risk 160
- point-of-purchase (POP) displays 165
- price advertising 157
- reminder purchases 165
- retail attraction model 159
- retail outlet 149
- servicescape 168
- shopping orientation 160
- social risk 161
- spillover sales 158
- stockout situation 170
- stockpiling 167
- store atmosphere 168
- store layout 168
- unplanned purchases 164

## REVIEW QUESTIONS

- 1 How does the sequence in which the brand/outlet decision is made affect the brand strategy? The retailer strategy?
- 2 What is store image and what are its dimensions and components?
- 3 Describe the impact of retail advertising on retail sales.
- 4 What are the primary price advertising decisions confronting a retailer?
- 5 What is a shopping orientation?
- 6 How is store choice affected by the perceived risk of a purchase?
- 7 What is meant by an in-store purchase decision? Why is it important?
- 8 What can happen in response to a stockout?
- 9 What is a servicescape?
- 10 What are some of the barriers to online shopping?

## DISCUSSION QUESTIONS

- 1 How would you evaluate the image of a retail outlet?
- 2 Does the image of a retail outlet affect the image of the brands it carries? Why or why not?
- 3 How are social and financial risks likely to affect three different buyer types for the following products? Will either type of risk affect store choice? If so, in what way?
  - (a) a mountain bike
  - (b) a birthday present
  - (c) legal services
  - (d) toothpaste
  - (e) snow skis
  - (f) a sports coat



- 4 What in-store characteristics could retailers use to enhance the probability of purchase by individuals who visit a store? Describe each factor in terms of how it should be used and describe its intended effect on the consumer for the following products:
- (a) toothpaste
  - (b) snow skis
  - (c) lemons
  - (d) magazines
  - (e) dessert at a restaurant
  - (f) financial planning software
- 5 What type of store atmosphere is most appropriate for each of the following store types? Why?
- (a) a bicycle outlet
  - (b) an inexpensive furniture store
  - (c) an expensive furniture store
  - (d) a discount grocery store
  - (e) a pet store
  - (f) a bookstore
- 6 Retailers often engage in 'loss-leader' advertising, in which a popular item is advertised at or below cost. Does this make sense? Explain your answer.
- 7 How do you respond to a stockout of your preferred brand of the following products? What factors other than product category influence your response?
- (a) milk
  - (b) mouthwash
  - (c) deodorant
  - (d) soft drink
  - (e) perfume/after-shave lotion
  - (f) socks

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## APPLICATION ACTIVITIES

- 1 Visit several online auction sites. Review their offerings and comment on why this type of shopping experience is growing in popularity.
- 2 Develop a questionnaire to measure the image of:
- (a) men's clothing stores
  - (b) women's clothing stores
  - (c) discount stores
  - (d) catalogues
  - (e) convenience stores
  - (f) bicycle stores
- 3 Arrange with a local retailer (e.g. convenience store, chemist) to install, temporarily, a point-of-purchase display. Then set up a procedure for unobtrusively observing the frequency of evaluation and selection at the display.
- 4 Visit three retail stores selling the same type of merchandise and prepare a report on their use of point-of-purchase displays.
- 5 Interview the manager of a chemist, department store or supermarket about their views on point-of-purchase displays and price advertising.
- 6 Determine through interviews the general shopping orientations of students on your campus. What are the marketing implications of your findings?

# Case study



International articles related to this topic are available at the Online Learning Centre at [www.mhhe.com/au/real4e](http://www.mhhe.com/au/real4e).

## Retailtainment is here to stay<sup>74</sup>

‘**R**etailtainment’ is a term coined to explain the concept of blending retail outlets and entertainment. As shoppers become more sophisticated and time poor, retailers and shopping centre owners are responding with new ways to attract and retain customers. Examples of just how this concept is translated into reality differ around the world.

In Singapore, you can visit a shopping centre that not only provides entertainment and an exciting environment with creative store concepts, fountains, playgrounds and virtual reality games, but also caters to consumers’ educational needs—a 1500 square metre library is now located on the fifth level of Ngee Ann City on Orchard Road.

The Mid Valley Megamall, Malaysia’s largest shopping centre, provides shoppers with 430 stores to choose from and, with Asia’s largest Cineplex (18 screens), a state-of-the-art bowling centre and a one-stop IT centre, entertaining the family is certainly not a problem!

In Edmonton, Canada, the world’s largest shopping mall, the West Edmonton Mall, offers shoppers Camp Snoopy (the world’s largest indoor amusement park), World Waterpark (the world’s biggest wave pool), Underwater Adventures (a walk-through aquarium) and the Ice Palace (with a national hockey league-sized skating rink). In addition, the Mall also offers, among other things, nightclubs, restaurants, theatres, a Las Vegas-style casino and a 3D IMAX theatre.

In the United States, the Mall of America near Minneapolis, Minnesota, is built around an amusement park. The shopping centre attracts more visitors every year than Disney World, Graceland and the Grand Canyon combined. For shoppers there are over 500 stores as well as a miniature golf course, nine nightclubs, 45 restaurants, a 14-screen movie complex and a wedding chapel.

In Australia, shopping centre developers have also focused on providing entertainment precincts within their centres. Not only have the entertainment precincts made visits to the centres more interesting and generated revenue, but they have also attracted a new segment of customers who want to see a movie or play games.

All major shopping centres now incorporate a large entertainment area and centre owners are continually refining the environment to enhance the customer experience. Westfield’s managing director Steven Lowy says the entertainment area is now just as important to a centre as the traditional shops. Westfield owns 32 shopping centres around Australia and spends millions of dollars every year to keep the product fresh and appealing. According to Lowy, ‘At times as much as 10 per cent of Westfield’s income was generated through the entertainment area of a shopping centre’.

This revenue is expected to increase as consumers look to shopping centres to satisfy needs from going to the department store, to sending the children to the movies and having a drink at the pub. These days amusement centres are not just computer game arcades and movies, but interactive play centres where children of all ages can test their skills, such as bowling a cricket ball just like Brett Lee.

The shift in demand and interest in these amusement/entertainment sectors has also provided a challenge for property developers. Lois Towart, researcher with Stantons Research, says: ‘The electronic arcade games have competition from home entertainment systems, and with the improvements in electronics this is a trend that can be expected to continue. In the 1980s the most common type of amusement centre was the pool hall or billiard centre and these dominated the second most common type, the

amusement centre or arcade. Roller-skating was also popular along with the mini-golf centre. There were other activities including a lion park, which

is no longer as fashionable.' During the 1990s amusement arcades and billiard centres declined in popularity.<sup>74</sup>

## QUESTIONS

- 1 What outlet attributes and/or consumer characteristics are influencing consumers' decisions to visit such types of retail establishments?
- 2 How could an Internet-based retailer capitalise on this desire for entertainment by consumers?
- 3 Based on the information provided in the case study, what predictions would you make about the future of retailing?

The Press Gallery provides you with daily marketing and consumer behaviour reviews from Australia and the Asia Pacific to complement your knowledge of this topic. The Press Gallery is available at the Online Learning Centre at [www.mhhe.com/au/real4e](http://www.mhhe.com/au/real4e).



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