

## **Chapter 2**

### **Why Consumers Buy**

#### **Overall and Specific Chapter Objectives**

The overall objective of this chapter is to provide the reader with knowledge of those aspects of consumer behavior that are directly related to buying and merchandising. The specific purposes of this chapter are to make those who desire buying careers to be more cognizant of the more important factors influencing consumer behavior that will better enable them to fulfill their positions. These specific objectives are:

1. To explain the store choice determinants
2. To identify different types of shoppers
3. To determine in-store influences on shopping and purchasing behavior
4. To determine external factors influencing consumer shopping behavior
5. To determine internal factors influencing consumer behavior
6. To explain market segmentation
7. To explain consumer lifestyle trends
8. To analyze the consumer decision-making process
9. To distinguish low involvement and high involvement decision making
10. To explain cultural influences on consumer behavior

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#### **Outline and Study Guide:**

1. Store Choice Determinants
  - A. Store personnel
  - B. Physical store characteristics
  - C. Nature and quality of merchandise assortments
  - D. Promotion, advertising and display by the store
  - E. Nature of store clientele
  - F. Prices charged by the store

- G. Services offered by the store
- H. Store image
- 2. Types of Shoppers
  - A. Shopper Type by Value Orientation
    - 1. The Economic Consumer
    - 2. The Personalized Consumer
    - 3. The Ethical Consumer
    - 4. The Apathetic Consumer
  - B. Shopper Type by Time Needed in the Adoption Process
    - 1. Innovators
    - 2. Early Adopters
    - 3. Early Majority
    - 4. Late Majority
    - 5. Laggards
  - C. Shopper Type by Frequency and Intensity of Information Search
    - 1. Objective Shoppers
    - 2. Moderate Shoppers
    - 3. Store Intensive Shoppers
    - 4. Personal Advice Seekers
- 3. In-Store Influences on Shopping and Purchasing Behavior
  - A. Price Reductions or Markdowns
  - B. Point-of-Purchase (POP) Displays
  - C. Sales Personnel
  - D. Stockouts
- 4. External Factors Influencing Consumer Behavior
  - A. Social Status
  - B. Reference Groups
  - C. Culture
  - D. Values
- 5. Internal Factors Influencing Consumer Behavior
  - A. Attitudes

1. Cognitive
  2. Affective
  3. Behavior
- B. Perception
  1. Attention
  2. Comprehension
  3. Retention
- C. Personality
- D. Motives (Abraham Maslow)
  1. Physiological
  2. Safety
  3. Belongingness
  4. Esteem and status
  5. Self-actualization
6. Market Segmentation
  - A. Approaches to Segmentation
    1. Geographic
    2. Demographic
    3. Benefit
    4. Psychographic
    5. Value and Lifetime Survey (VALS and VALS-II)
  - B. Market Segmentation Process
  - C. Benefits to Buyers
7. Changing Consumer Lifestyles
  - A. Changing Role of Females
  - B. Youth Orientation of Older People
  - C. Greater Concern for Health
  - D. Greater Concern for Money
  - E. A Desire to Simplify Life
  - F. Increased use of Technology
  - G. International Travel becomes Commonplace

- H. Ease of Shopping
- I. Virtual Reality becomes a Test Market for Goods
- J. Consumers become Designers with Co-design Products
- 8. The Consumer Decision Making Process
  - A. The AIDA Model
    - 1. Consumer's Attention
    - 2. Consumers Interest
    - 3. Consumers Desire
    - 4. Consumers Action
  - B. The Decision-Making Model
    - 1. Stage 1: Problem Awareness
    - 2. Stage 2: Information Search
    - 3. Stage 3: Alternative Evaluation
    - 4. Stage 4: The Purchase
    - 5. Stage 5: Post Purchase Behavior
- 9. Low Level Decision Making Versus High Level Decision Making
  - A. Unplanned or Impulse Purchases
- 10. Cultural Influences
  - A. Culture
  - B. Myths
  - C. Rituals

## Chapter 2

### End of Chapter Review Questions and Answers

1. Many factors influence consumers in their decision to shop at a particular store or group of stores. What do you believe are the most important factors? Why?

A1. Brand loyalty and store loyalty are important factors that influence consumer decision making. Some experts argue that product or brand choice precedes store choice. This concept is only true when consumers have a high degree of brand loyalty and a low degree of store loyalty, or when consumers are very knowledgeable about a product. However, in most other instances, store choice is of significant importance to consumers. For example, the rise of the discount store is a result of consumer's desire to have low prices and a broad assortment of merchandise, including food, all under one roof. Second, the rapid ascent of category killers has occurred because of consumers' desire to have a broad assortment of one product line in a single store. Another factor dictating store choice is *location*. While consumers may travel a long distance from their place of residence or employment to shop, they will preferably shop at a store nearer to them even if that store has some unappealing features because *time* can be of the essence for them. Consumers also go shopping to satisfy needs other than to purchase merchandise.

2. In his classification of shoppers, Gregory Stone identified an ethical shopper. Do you believe there is a sizable segment of this shopper type? Why?

A2. The Ethical Consumer shops at stores that make them feel good about helping out the storeowner. This consumer is willing to forgo prices or a broader assortment of merchandise, because they want to help save the small store owner. Especially, today with the recovering economy, there will not be a sizable amount of such shoppers. Majority of shoppers today are trying to be as economical as possible. Consumers are always on the lookout for deals offered by big box retailers and are willing to switch brands or stores if there is a better deal available.

3. In your shopping at retail stores, do you believe they have an adequate number of sales associates to serve their customers? Why?

A3. I believe that sales associates vary according to the type of store. The high end retailers are expected to have knowledgeable sales associates who can help consumers make a better choice. Today, with the rise of e-commerce and technology consumers believe more in self service. This depends a lot on consumer's attitude, since they might have specific preferences towards sales associates.

4. Do friends influence where you shop and what you purchase? Explain your response.

A4. This depends on the type of shopper and the way they make their decision. Personal advice seekers and store intensive shoppers use their friends the most to make decisions. Store intensive shoppers try to gain product knowledge because of a desire to evaluate as many alternatives as possible. I am an objective shopper and more often I do not seek much help from friends. I would be willing to take time in making a decision, because they will visit many stores as well as returning to a store more than one time.

5. As a buyer for women's apparel for a small chain of stores that are located in rural areas, what would be the best market segments to seek? Explain your choices.

A5. The answer to this would vary according to the proximity to urban areas and the demographics and psychographics of the target customer.

6. Describe a ritual you go through on a regular basis in your everyday life. Do others share this ritual?

A6. I generally buy new clothes when there is a festive occasion. One other ritual is that I always try to avoid bargaining with the vendor. I would consider different alternatives without bargaining. Some of my family members follow this ritual, but not many of my friends.

7. In the chapter, ten current life style trends were identified. What are some additional trends that are taking place that can be added to this list?

A7. The following are the additional lifestyle trends that can be added to the list.

- Peer reviews of products through social networking
- Selling products through social networking sites
- Look out for smart deals
- Attempt to design and customize products by consumers to suit themselves

8. In the United States, identify six subcultures that exist.

A8. Some of the subcultures that exist in the United States are the following:

- American affluent subculture
- Hispanic
- Asian
- Jewish
- African American
- American Indian/Eskimo/Hawaiian
- Students can also enumerate other subcultures.

9. What makes the Hispanic market such a significant segment for retailers to seek out?

A9. The increase in the U.S. Hispanic population coupled with its increasing purchasing power has retailers competing for a larger market share of this largely untapped market. The U.S. Hispanic population, which officially became the largest minority in the United States in 2002, is still continuing to grow. U.S. Hispanics make up almost 15% of the U.S. population and growing five times faster than the general population.

A relatively young Hispanic population, with larger proportions of them either entering the workforce for the first time or moving up on their career ladders, also argues for additional gains in buying power. In addition, this young population is tech savvy and spends a considerable time on the Internet. Despite their lower average income levels, Hispanics spent more on groceries, phone services, furniture, small appliances and housewares, children's apparel, and footwear. All the above factors contribute towards retailers considering them as more significant.

10. There are both internal and external factors influencing shopping and purchase behavior. In carrying out their jobs, which grouping is more important? Explain your response.

A10. I think external factors will be important when individuals carry out jobs. The workplace is an environment with people from different cultural backgrounds and everyone has a different perception. Also, at the work place, everyone is bound to have a social status based on salary and designation and accordingly they have their own reference groups. Hence, external factors will become more important in influencing shopping and purchase behavior as individuals try to 'fit in' the work environment to make that experience a comfortable one.

Some students might stress internal factors, and they can make a good argument for looking at these rather than external factors. The student's answer for supporting either internal or external factors should be judged by the rationale they provide.

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### End of the Chapter Internet Questions and Websites

1. Search for the customer profiles of several retailers, not within the same format but that sell the same categories of merchandise. (Annual reports often are a good source of this information). Compare the customer profiles of the various stores. How do the customers differ? Which retailers compete for the same customers?

A1. Gap: <http://www.gapinc.com/public/OurBrands/brands.shtml>

Zara: <http://hbswk.hbs.edu/archive/4652.html>

Forever21: [http://www.hoovers.com/company/Forever\\_21\\_Inc/rfyhfci-1.html](http://www.hoovers.com/company/Forever_21_Inc/rfyhfci-1.html)

2. Search websites of several online retailers offering the same category of merchandise. Compare the ease with which you found the product on the various websites.



A2. Today almost all the retailers sell online to offer comforts to their customers. Consider the shoe category, and some examples would be,

<http://shop.nordstrom.com/C/2376778/0~2376778?origin=tab>

<http://www.neimanmarcus.com/store/catalog/templates/SC3.jhtml?itemId=cat13030734&parentId=cat000141&masterId=cat000000>

3. Search for recent news stories on aging baby boomers. What impact do aging boomers have on consumer products and services?

A3. <http://www.aginghipsters.com/>

[http://www.huffingtonpost.com/bill-george/engaging-the-millennials\\_b\\_623108.html](http://www.huffingtonpost.com/bill-george/engaging-the-millennials_b_623108.html)

<http://advancedstyle.blogspot.com/>

4. List the store characteristics discussed in Chapter 2 that determine store choice. Next, search online for information regarding how retailers appeal to these attributes and give specific examples of how that retailer develops their customers store loyalty using one or more of the store characteristics listed.

A4. The characteristics that determine store choice are, brand or store loyalty, location, store personnel, physical store characteristics (décor, ease of paying for merchandise), nature and quality of merchandise assortments, promotion, advertising and display by the store, nature of store clientele and prices charged by the store.

<http://storeappeal.com/tag/store-appeal/>

<http://www.progressivegrocer.com/top-stories-headlines-d1.html>

<http://www.stores.org/search/node/store%20appeal>

5. In today's economy, it has become more and more important for the retailers to consider shopper types and contemplate ways to appeal to an economical consumer. List the three types of shoppers discussed in Chapter 2. Next find retail companies online that would appeal to the following consumers: Economic, personalized, ethical, and apathetic.

A5. These three categorizations of shoppers are:

1. Shopper type by Value Orientation
2. Shopper type by Time Needed in the Adoption Process
3. Shopper type by Frequency and Intensity of Information Search

Economic consumer - <http://www.target.com/>

Personalized consumer – <http://www.neimanmarcus.com/>

Ethical consumer – Rag Junkie, tallahassee

Apathetic - <http://www.bestbuy.com/>

Consumer trends - <http://blog.nielsen.com/nielsenwire/>

6. You are an accessories buyer for a large specialty store chain with a target market of 16-24 year old males and females who would best be described as innovators or early adopters. You are placing your order for merchandise that will be available in your store in eight months. After researching online, shopping competitors, and searching through industry publications you decide on the product line that you will be purchasing for your company. What will the product line include?

A6. <http://www.fashionising.com/trends/>

<http://www.nwsourc.com/shopping/fashion/ten-fashion-trends-fall>

<http://www.nytimes.com/2010/07/26/business/26drill.html?ref=fashion>

<http://www.wwd.com/markets-news/potpourri-in-paris-3193724>

7. Identify a retailer that appeals to two of the social classes and explain how they interest their target market. How does their website appeal to their target market? Next identify several reference groups that you look to when making consumer-buying decisions and explain how they affect your decision. Finally explain how culture and values also affect your consumer-buying decisions.

A7. Wal-Mart is a good example: <http://www.walmart.com>

8. How can a retailer appeal to a consumer's three distinct stages of perception?

A. Attention

B. Comprehension

C. Retention

A8. [http://www.g-cem.org/eng/content\\_details.jsp?contentid=2236&subjectid=107](http://www.g-cem.org/eng/content_details.jsp?contentid=2236&subjectid=107)

<http://www.retailcustomerexperience.com/>

<http://www.retailerdaily.com/entry/49748/how-retailers-appeal-women/>

9. Search a retailer online that uses these three stages and explain how they are implemented within its retailing strategy.

A9. Today, retailers are finding social networking as a powerful medium to appeal and attract consumers.

<http://www.facebook.com/Levis#!/Levis?v=wall>

## **Example of ASSIGNMENT for Chapter 2**

### **-INFORMATION ON THE COMPANY-**

#### **Banana Republic**

#### **BR in a nutshell...**

Banana Republic is known for delivering accessible luxury apparel and accessories for men and women in the moderate price point range. The merchandise has a “city style” characterized by elevated design and luxurious fabrications ([www.gapinc.com](http://www.gapinc.com)).

Banana Republic has a wide-range of merchandise for both regular men and big and tall men with many options in colors, including dress shirts, casual shirts, polos, graphic t-shirts, fitted t-shirts, sweater, pants, blazers and outerwear, chinos, jeans, suits, underwear, socks, fragrance, shoes, bags, and other accessories like sunglasses. The company has a large target market, starting with career men in their early twenties. The size of the store is also relatively large, with much room to show off the merchandise. The flagship store was built in San Francisco, close to the original company's roots in Mill Valley, California. The Gap, Inc. had annual sales of \$14.5 billion in fiscal year 2008, while Banana Republic brought in \$2.7 billion in fiscal year 2007 ([www.gapinc.com](http://www.gapinc.com)). The Gap, Inc. brands include Gap, Banana Republic, Old Navy, Piper Lime, and Athleta.

### **A Brief History...**

The Banana Republic Travel and Safari Company was once very different with its style than now. In the 1980's Banana Republic sold outdoor wear with an exotic safari theme. Some of the items made during this time were flight jackets, photo-journalist's vests, paratrooper briefcases, and gorkha shorts. Characteristics of their clothing were loose-fitting, made with natural fibers, and all in muted colors. To draw the customer in with visuals, the stores had half of an old Army jeep up against the front side wall with a big palm tree added to the scenery ([www.askandyaboutclothes.com](http://www.askandyaboutclothes.com)). There were catalog pages tacked on the merchandise that gave all the information of the garment. Their signature product, popular with a wide age range, was their t-shirts. During this time, there were only two Banana Republic stores, both in the mall in Mill Valley, California. The logo of the company consisted of a red star crested by two bananas, which also signified the safari theme of the store. Mel Ziegler and his wife founded the company in 1978. The president of The Gap, Inc. Millard S. Drexler and chairman Donald G. Fisher decided to acquire Banana Republic into their company, making Banana Republic a subsidiary of The Gap, Inc. since 1983 ([www.fundinguniverse.com](http://www.fundinguniverse.com)). Now, with a more timeless style, Banana Republic has 590 stores in the United States, Europe, Japan, and Canada, with a total of 26 stores in Japan alone. Banana Republic is expanding its international presence with franchise agreements in Asia, Europe, Latin America, and the Middle East.

## NEW YORK CITY

What do you imagine when you think about New York City? Possibly world renowned shopping or the gravity-defying sky scrapers, each sporting their own unique look and feel due to the multitude of architectural styles. Perhaps, with the current financial recession, you think of Wall Street and the ever changing stock markets. Whatever it is that comes to mind when you think of New York, no one can deny that this famous city continues to enthrall travelers from around the world.

- **Population** (2000 Census): 1,537,195
- **Population/Square Mile** (2000 Census): 66,941
  - As opposed to New York State's, which is a much smaller 402. Also, an interesting bit of information, Manhattan's population density is the largest of any other county in the United States.
- **Median Income** (1999): \$47,030
  - This is not a large difference from the Median Income for New York State which comes in at \$43,393.
  - However, this is miniscule when compared with New York's famous Upper West Side, home to around 100,000 people whose median income averages 90,000 which, interestingly enough, is one of the largest concentrations of extreme wealth in the U.S.
- **Culture:**
  - Almost 50% of New Yorkers have achieved a bachelor's degree or higher as opposed to the state itself which only as about 27% achieving such a degree.
  - The majority of Manhattan is Caucasian at 54.4% followed by Hispanic at 27.2%, than by African Americans at 17.4% and finally Asian Americans at 9.4%.
  - Manhattan is also diverse when it comes to religion. The largest majority of which is the Roman Catholic Church which comes in at 36% of the population. That is closely followed by Jews at 20.5%.
  - Manhattan is the go to city for cultural movements and change. It is also a Mecca for the world of art. Chelsea is home to more than "200 art galleries" and Broadway has become the center of the Theater world.

## SAN FRANCISCO

San Francisco, is often called the “city by the bay.” Known well for its famous landmarks such as the Golden Gate Bridge, or the tourist destination called Chinatown, this city has much to offer. Given its temperate climate, and eclectic mix of “Victorian and modern architecture” it has remained a tourist attraction for many decades.

- **Population** (2000 Census): 776,733
- **Population/Square Mile** (2008 estimate): over 17,000
  - This makes San Francisco the second most densely populated American city.
  - Also, according to the 2000 Census, it is the fifth largest city in the United States.
- **Median Income** (1999): Household income, \$55,221; Family income, \$63,545
  - About 11% of people live in poverty or below the poverty line which comes out to be about 87,000 people. San Fran is believed to have the highest number of homeless people per capita than any other American city.
  - However, the city ranks eighth in the number of billionaires known to be living in the city.
- **Culture:**
  - Out of the 595,805 people who are over the age of twenty five, about 30% have achieved a Bachelor’s degree and an additional 16% have gone on to receive a Graduate or other professional degree.
  - While 63% of San Franciscans are native born, an amazing 37% are foreign born, 16% of which are not American citizens.
  - The majority of people at 43% are Caucasian, followed by people of Asian descent at 30.7%. Next follows Hispanics at 14% followed by African Americans and Pacific Islanders.
  - San Francisco has the highest percentage of gay/lesbian individuals than any other state in the US at 15.4%, as well as the largest amount of same sex households.
  - Famous for such sites as the first ever “Chinatown” and such areas as Haight Ashbury, which was at the center of the Peace movement, the city remains culturally unique and is home to many centers of art, Museums, National Parks, and other such sites.

## MILL VALLEY, CA.

Located across the Golden Gate Bridge just four miles north of San Francisco, this beautiful blend of flat marshlands and ancient redwood forests, the city of Mill Valley is surrounded by State and Federal Parks and Reservations. Due to the close proximity with nature, the people of Mill Valley have built a strong sense of conservancy for their home. These feelings of protection for their homes can be seen by the amount of natural habitats and reservations which are treated with both respect and concern by the members of Mill Valley.

- **Population** (2000 Census): 13,600
- **Population/Square Mile** (2000 Census): 1,112.5
  - There was said to be 6,147 households in Mill Valley in 2000 and 3,417 families residing in the city itself.
  - Females outnumber the males in this city by a minimal 3.6%.
- **Median Income:** An interesting note; the median household income at the time (1999) was said to be \$90,794, compared to the United States as a whole whose median household income was \$41,994.
  - The average family income was \$119,669 compared to the US which was \$50,046. The Per Capita income for Mill Valley was \$64,179, still higher than the US which was at \$21,587.
  - While the US had an amount of 9.2% of Americans living under the poverty level, Mill Valley's residents who lived under the poverty line numbers only 95, or, 2.7%.
- **Average Family Size:** 2.85 which is smaller than the United States 3.14.
- **Culture:**
  - According to the 2000 Census, the people of Mill Valley have a rather high level of education when compared with both the United States and the four other cities chosen. This being said, 98% of the population have a high school degree or higher, and 71%, as opposed to the national average of 24.4%, have a Bachelor's degree or higher.
  - As for the race and ethnicity of the majority of Mill Valley residence, the largest group, Caucasians, came in at 91.43% of the population. Asian American's followed with 4.14%, continuing on with Hispanic with 3.47%, the remainder of the population was made up of African Americans, Native Americans, and Pacific Islanders.
  - The median age of Mill Valley residence was 44 as of 2000, with 86.5 men to every 100 women. Although, the leading age range was 45-64 with 32.5% of the population falling into that group.
  - An interesting piece of information; in 2005, Mill Valley was ranked by *Money* magazine, as the tenth best place to live in America as well as the seventy-third most expensive area codes as voted by Forbes.

## MILL VALLEY (cont.)

- **Weather:**
  - **Summer:**
    - Daytime highs average 84 degree F. and rarely peak 90.
    - Summer months are typically dry, with most of the rain, which averages 45 inches per year, falling between the months of November through March.
  - **Winter:**
    - Lows of 56 degrees F, however, the temperature rarely drops below freezing.
  - As with San Francisco, Mill Valley enjoys the same beautiful weather associated with that region of the United States, called a “Mediterranean climate.”
  - Mill Valley is also affected by Microclimate conditions which, along with the cooling fog, tend to cool the wooded areas of Mill Valley quite noticeably.

## **NEW ORLEANS, LA**

It is the birthplace of Jazz, the party capital of the United States, the city devastated by Hurricane Katrina. It is a city that, due to the fact that it’s been passed through the hands of almost every ruling empire, including the French and Spanish, has turned into “the most unique city in America”. Just take a short walk through the French Quarter and any tourist can see, the history of New Orleans still plays a large role in the city today.

- **Population** (2000 Census): 484,674, after Katrina, in 2007, the population was said to be at 60% what it had been before the hurricane.
- **Population/Square Mile** (2000 Census): 2,684.3
  - Since the hurricane, researchers have claimed that there could be as many as 10,000 illegal immigrants, many from Mexico, having come over to find work rebuilding the city, currently residing in New Orleans.
- **Median Income** (2007): \$37,348; Per Capita income, \$17,258
- **Culture:**
  - As of the 2000 Census, 74.4% of New Orleanians, over the age of 25 had a high school diploma, as well as 25.8% who had a bachelor’s degree or higher.
  - According to studies done in 2008, the race majority was African Americans with 61.8%, followed by Caucasians with 33.9%, followed by Hispanics and then Asians.
  - New Orleans is known for its eclectic attitude. With such well known spots as the French Quarter, St. Charles Avenue, and Magazine Street, there are activities for every type of person.
  - Not only is New Orleans one of the largest and busiest ports in the world, a center of the Maritime industry, it is also accountable for a large portion of the nation’s oil refining and production, in fact, the city ranks fifth in oil production for the United States.



- Tourism also plays a large role in New Orleans economy. It accounts for 40% of New Orleans' tax revenues.
- New Orleans is the Mecca of festivals, ranging from the oh so famous Mardi Gras, to the festivals celebrating music such as Jazz Fest and Voodoo Fest, to Festivals celebrating harvests, such as Orange Fest.

## **TALLAHASSEE, FL**

Tallahassee, the capital of Florida, is also home to many different colleges, including FSU, FAMU, and TCC. Although it may be the capital of Florida, the city itself tends to have more of a low key, down home feel. Drive ten minutes out of the busy capital and you find yourself surrounded by acres of fields and roaming horses. Don't be fooled however, it is the "twelfth fastest growing metropolitan city in Florida."

- **Population** (2000 Census):150,624
  - 63,217 households and 29,459 families reside in the city.
- **Population/Square Mile:** 1,573.8
  - As mentioned, Tallahassee is on a growing streak, gaining population faster than both Tampa and Miami.
  - It is also the 133<sup>rd</sup> biggest city in the USA, estimated to have grown since the last census to a population of 353,425 in 2007.
- **Median Income** (1999): Household, \$30,571; Family, \$49,359; Males \$32,428; Females, \$27,838.
  - Around 24% of people are said to live below the poverty line, this includes 21% who are under the age of 18 and 8.4% over the age of 65.
- **Culture:**
  - Interestingly enough, Leon County is the highest educated county in the state of Florida. 89.9% of people over the age of 25, living in Tallahassee, have a high school degree. 45% of people in the same age range who have gone on to receive a bachelors degree or higher.
  - The majority of people living in Tallahassee are Caucasian, making up for 60.4% of the population, this is followed by African Americans who make up for 34.2%, Hispanics make up for 4.2%, the rest of which is made up of Asians and Pacific Islanders.
  - While not quite as pronounced as other cities, Tallahassee can boast a thriving art community, with such areas as railroad square, or Springtime Tallahassee which has open markets.
  - Also of interest, Tallahassee is one of the fastest growing manufacturing and high tech economies in Florida.
  - All information gotten from: Wikipidia.com and U.S. Census Webpage.

## **Customers in NEW YORK**

New York City is louder and more expressive in their style. Brighter colors and patterns are worn for more casual wear, while the classic colors are still being used for suits. New York City has a number of different types of men, but the main target market for Banana Republic are the white-collar businessmen, who are everywhere in the city. These men are usually very confident and assertive in how they act, and like to dress professional, but with their own individual style. Classic colors like black, navy, and gray are usually used for suits, while a dress shirt in pink or blue can be a great essential item to make the outfit stand out, but in a good way. Religion is very important to some families in NYC, which is also wear business attire or dress-wear could be worn. Sports including basketball, baseball, football, hockey, soccer, lacrosse, and tennis are also very popular in New York City for many men to watch. Working out at the gym is also a popular activity, while luxury nightlife is as well. There are also many college students in NYC, usually liking the more preppy classic styles. Most men in Manhattan make a large amount of money, so this helps in the business of Banana Republic in hitting their main target market. Some individuals of New York City are classified by the VALS survey as being motivated by ideals and are grounded in knowledge and principles. The tendency is to base decisions on abstract, idealized criteria such as quality, integrity, and tradition (Videtic, p. 26). A majority of other men in New York City are also motivated by self-expression along with their value for their impact on the physical world (Videtic, p. 26). Many of the men that live in New York City are innovators, who are usually avid shoppers because of their success (Videtic, p. 24). Some other men of NYC can be described as achievers, who are goal-oriented with a strong commitment to family and career (Videtic, p. 24). Many others are described as experiencers, who are again avid consumers of fashion who focus on “looking good” and are motivated by self expression as well as new and different items and services (Videtic, P. 24).

## **CUSTOMERS IN CALIFORNIA**

In both Mill Valley and San Francisco, California, the psychographics of the customer are very similar. The psychographics include the attitude of the customer, the interests of the customer, and the opinions of the customer, and learning these things about your customer's and why they change in different cities is very important in selling. These two cities are characterized by a high standard of living, included in the nightlife and other entertainment like the theater. Surfing and other outdoor activities are the norm for many men in California, while also working very hard as white-collar workers. Banana Republic and its wide selection of merchandise gives the customer options to choose from for an individual style. Sports are very important in these two cities, including football and baseball being the two favorites. NFL and college football are both important, and there are a lot of universities in California. Men in California are usually very confident, laid-back, and doing activities outdoors. They know what they want, and they like having good style, day or night. Many men have the money to go shopping often, and Banana Republic has a great reputable brand with many loyal customers. The style in color is a bit more muted, with pastels and neutrals being popular for the summer, and darker colors for the winter. According to the VALS survey in our textbook *Perry's Department Store*, the people who are motivated by achievement strive for a clear social position (Videtic, p.26). They seek explicit responsibilities and approval from a valued social group. The people of these Californian cities can be categorized by the VALS segments as Innovators and Experiencers. Innovators are sophisticated customers with a take-charge attitude. They are open to new products and ideas, and have significant resources at their disposal (Videtic, p.24). Experiencers are avid consumers of fashion who focus on "looking good" and are motivated by self-expression as well as new and different items and services (Videtic, p.24).

## **Customers in NEW ORLEANS**

The New Orleans lifestyle is like a dream fun-house. The many festivals, including Mardi Gras and Jazz Fest are very famous with locals and tourists. The eclectic style of New Orleans is colorful and risky, with color being used as a way to express themselves as individuals. Nightlife is very famous in New Orleans, and dressing to impress is important. The French heritage is very important to the locals, with religion being a factor. Sports are very important, along with the colleges in New Orleans.

There are many different types of restaurants, art galleries, antique shops, magazine shops, and vintage shops, which most are locally owned. There are many business-men in New Orleans, including many successful wealthy individuals. Majority of the men in New Orleans are drawn to the heritage, are very laid-back, with a southern lifestyle. The men of New Orleans are categorized by VALS survey as achievers, experiencers, and makers. While the other two have been explained, makers are practical and value self-sufficiency while expressing their individuality (Videtic, p. 24). Many of the men in New Orleans are motivated by ideals and are grounded in knowledge and principles (Videtic, p. 26). Again, quality, integrity, and tradition are very important here. Some men of New Orleans are motivated by achievement, and they strive for clear success (Videtic, p.26). They are also focused on both work and family. Many other men are motivated by self-expression, through the nightlife, jazz music, and artistry. They are excited with the pleasure and excitement of the physical world (Videtic, p.26).

### **Customers in TALLAHASSEE**

The last city of psychographics is Florida's capital, Tallahassee. The majority of men in Tallahassee are in college, but there are also a lot of white-collared successful politicians and other businessmen as well. Many men are into sports like college football and baseball, and also working out. Nightlife is extremely popular in Tallahassee, and sometimes guys like to dress their best, but on a budget. Because of the college environment, there are many people that are not from here, so there is a variety target market in Tallahassee. The styles are different, and people like to express themselves as individuals. The men of Tallahassee are categorized by the VALS survey as being motivated by achievement, and they strive for success (Videtic, p. 26). The majority of the other men in Tallahassee are motivated by self-expression, included in the nightlife, and social college scenes. College is about finding out who you are as a person, and this specific target market has a certain style, and they like many options to choose from. The white-collared businessmen of Tallahassee are considered as innovators, which are the sophisticated customers with a take-charge attitude. There are also some achievers in Tallahassee, and are focused on both work and family. Tallahassee also has a new category of men, including strivers, who are the trendy, fun-loving individuals seeking the approval of others.

Tallahassee is a big college town, and drinking at the bars with friends is definitely a reason to dress stylish but with value. Some of the other college guys of Tallahassee are considered by VALS survivors, who are cautious consumers because of their limited resources, and prefer the familiar as they attempt to meet just the most basic needs.

## **CUSTOMER LOYALTY PROGRAMS**

Banana Republic offers a reward program for those customers who wish to sign up for a store credit card. The standard card is the yellow one to the left and the Luxe card is the brown one to the right. Below are the perks you get from being a card holder.

### **Banana Republic Visa Card (Yellow)**

- 15% off of your entire purchase the day you enroll
- 10% of the next purchase you make after enrollment at Gap, Old Navy, and Banana Republic
- 5 points for every dollar spent at a Gap Inc. store and 1 point for every dollar spent anywhere else (restaurants, gas stations, grocery store, etc.)
- For every 1000 points you will be sent a \$10 dollar reward card to be spent in any Gap Inc. store
- \$15 gift card sent to you in the month of your birthday
- Exclusive promotions, discounts, and sales emailed directly to you
- Free shipping for online purchases over \$100

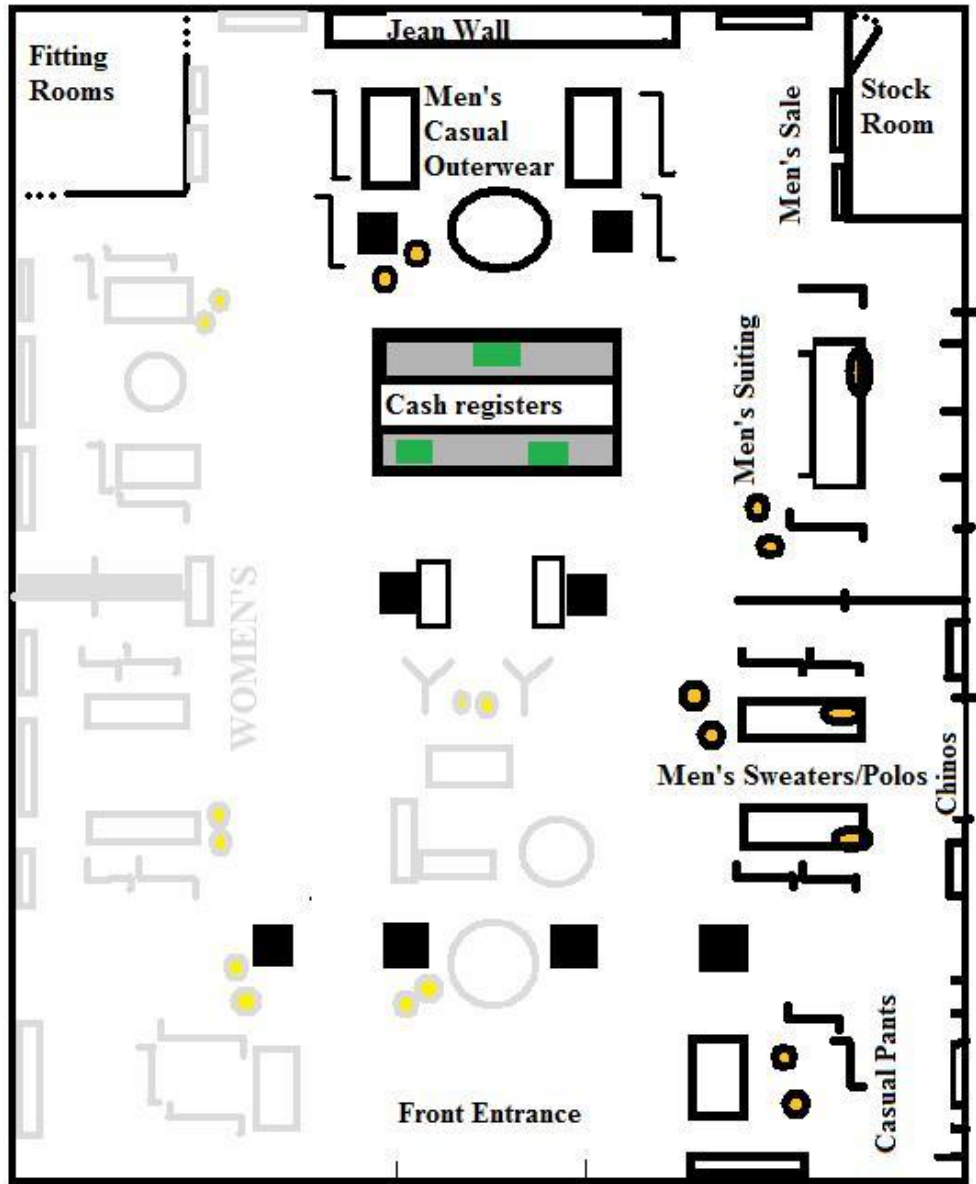
### **Banana Republic Luxe Card (marbled brown, FANCY!!)**





- You acquire this card by spending at least \$800 at Gap Inc. stores in one calendar year
- Free alterations on any purchase (hems, pants, suiting)
- Free shipping for any online purchase
- Exclusive deals for Luxe members emailed directly to you
- More points received per dollar spent during special times of the year

## **LAYOUT**

The layout of every Banana Republic is slightly different. The store is classified as being a level 0-5 which is an indicator of the size, 5 being the largest a store can get. Also, depending on the level which each store is, that will also affect the amount and variety of merchandise carried. The Tallahassee Banana Republic is a Level 1 store, so it is fairly small and does not carry as much merchandise as a larger level store and does not carry much of what is offered online. However, each “room” within the store is arranged to look the same in every Banana Republic thanks to visual guides sent out to all the stores to help maintain consistency. The Tallahassee BR carries men’s work/casual clothing in the front half of the store. Immediately to the right when a customer walks in the door is a table of men’s lightweight sweaters with coordinating racks and wall faceouts of casual work pants in a variety of colors and materials. The second area which is fairly large carries collared button shirts for men with coordinating sweaters and a system of wall shelving which houses the quintessential chinos in an array of shades. The next “room” which is in line with the cash wrap, (to make it more convenient for employees to keep an eye on it), is the men’s suiting area. A table houses the signature non-iron woven men’s work shirts and ties while floor fixtures and wall faceouts house the suiting pieces offered. In the back right corner is the sale items hung in wall hang bars. The back wall holds a shelving system of Men’s denim and two tables that display casual t-shirts, pullovers, hats, polos and other casual pieces for everyday or weekend wear.

# BANANA REPUBLIC TALLAHASSEE LAYOUT



	= Pillars
	= Mannequins
	= half body forms
	= registers
Everything in gray is womens	

# **CLASSIFICATIONS of MENSWEAR**

## **Pictures of SWEATERS**

Students add these

## **Pictures of PANTS**

Students add these

## **Pictures of SHIRTS**

Students add these

## **Pictures of OUTERWEAR**

Students add these

## **Pictures of SUITING**

Students add these

## **Pictures of WOVENS**

Students add these



## BANANA REPUBLIC FINANCIAL DATA

**Annual Sales (2008):** \$2,491,000,000

**Number of Stores:** 603

**Annual Sales per Store:**  $(2,491,000,000 / 603) = \$4,131,012$

**Annual Sales for 5 Stores:**  $(\$4,131,012 \times 5) = \$20,655,060$

<b>CITIES</b>	<b>% of Business/Store</b>	<b>Individual Store Sales</b>
New York, NY	30%	\$6,196,518
San Francisco, CA	25%	\$5,163,765
Mill Valley, CA	20%	\$4,131,012
New Orleans, LA	15%	\$3,098,259
Tallahassee, FL	10%	\$2,065,506
<b>Total</b>	<b>100%</b>	<b>\$20,655,060</b>

### Store Categories

New York	A
San Francisco	A
Mill Valley	B
New Orleans	C
Tallahassee	D

## **POINTS OF DIFFERENTIATION**

- One of the main factors which makes Banana Republic different from other brands is its timeless style. The design is simple, uncomplicated, and very accessible for the consumer. With many fabrications, and different size options, Banana Republic has a nicely focused target market.
- In a tough economy they offer an extremely well made product for a decent, affordable price for the average male in need of pieces for a career savvy wardrobe.
- With Gap Inc. overseeing Banana Republic, Gap, and Old Navy, it gives the customer more options and more price points to choose from, especially when looking to stay within the company to earn reward points for purchases

## **Online references**

[www.askandyaboutclothes.com](http://www.askandyaboutclothes.com)

[www.fundinguniverse.com](http://www.fundinguniverse.com)

[www.gapinc.com](http://www.gapinc.com)

[www.bananarepublic.com](http://www.bananarepublic.com)

[www.wikipedia.com](http://www.wikipedia.com)

[www.census.gov](http://www.census.gov)

[www.lexisnexis.com](http://www.lexisnexis.com)

[www.hoovers.com](http://www.hoovers.com)

## **Chapter 2**

### **Answer to the short case study: Bon Appétit**

While merchandise assortment is discussed in Chapter 7, students need to be aware that stores are located from near the Mexico border to near the border of Canada. Students need to realize that there are cultural differences, which will lead to a differentiated merchandise assortment strategy. Students should also realize that many of the product categories within home furnishings could be the same for all cultures.

Since this chain has 165 stores, many of the stores will not be located near any borders, and merchandise assortments can be the same for all the stores. Students can make a case that there are differences by states, which can lead to a more differentiated merchandise assortment strategy. The crucial point: Students should recognize cultural differences as well as by region in the United States, which can lead to a differentiated merchandise assortment. Based on assumptions made by students, they might recommend an undifferentiated merchandise assortment.

## **Chapter 2**

### **Questions and Answers to the long case study: Segmenting the Market for West Elm's New Store**

#### **Questions:**

1. Describe the different segments found in zip code 60642 according to the information that is available publicly on Claritas' site that is based on its Prizm product?
2. How do these segments differ? What differences may be most relevant to West Elm? Why?
3. What in-store data and online data might be used to help store managers respond to its customer base as defined by the geo-demographic information collected and analyzed by Claritas for the zip code 60642?
4. Will these "insights" change appreciably when adjacent zip codes are considered? Explain.

#### **Notes and Answers for the West Elm Case Study**

The West Elm case provides a meaningful way to introduce the availability and utility of commercial data sources to students and its application to retail and marketing problems. Claritas is one of the largest marketing research companies in the world and provides extensive information to its clients. The data provided at the MyBestMarkets site provides a small taste of the data overlays that can provide retailers great insight into the customer markets they serve.

Among the most important ideas communicated from a visit to the Claritas site is that no market can be described in a single way. There are often quite diverse segments within geographic areas, particularly urban market areas which may be defined by a zip code that contains a relatively small physical area.

One of the best ways to get students to benefit from this exercise is to have students visit a zip code they are familiar with and another zip code that they are unfamiliar with. Instructors may wish to select particular zip codes that may highlight differences they are familiar with based on their unique knowledge of different areas in the United States.

Visits to “familiar” zip codes, like one’s neighboring the college or university may help provide a common frame of reference to review the differences within a community and the importance of targeting efforts to the most relevant customers in that area. Note that West Elm while not very expensive in comparison to several other retailers of similar merchandise, it is not an inexpensive furniture and accessories retailer. Consequently, not all consumers located in the geographic area(s) served by West Elm will be able to afford the merchandise it offers. Students should be asked to identify the segments that are “most likely” to be able to afford its merchandise based on the information provided by Claritas.

- A) Describe the different segments found in zip code 60642 according to the information that is available publicly on Claritas’ site that is based on its Prizm product?

Prizm identifies the following five segments for the zip code 60642:

<b>Number</b>	<b>Name</b>
29	<a href="#"><u>American Dreams</u></a>
16	<a href="#"><u>Bohemian Mix</u></a>
66	<a href="#"><u>Low-Rise Living</u></a>
31	<a href="#"><u>Urban Achievers</u></a>
04	<a href="#"><u>Young Digerati</u></a>

B) How do these segments differ? What differences are most relevant to West Elm? Why?

Claritas provides many details for each of these segments. Most important, however, are the size of each of these segments and their respective economic capabilities (i.e., household incomes). There are some segments that are also more aligned with the lifestyle profile of the West Elm customer who is interested in acquiring contemporary furnishings. An in-class discussion of the differences of each of the segments is worthwhile, although quite time-consuming. It is suggested that a poll be taken when beginning to address this question to determine what particular segment students believe to be “most” attractive and relevant to West Elm. Different recommendations will undoubtedly arise and students’ explanations for their recommendations often provide insight into their understanding of the different socio-demographic and geographic insights into the data compiled by Claritas.

C) What in-store data and online data might be used to help store managers respond to its customer base as defined by the geo-demographic information collected and analyzed by Claritas for the zip code 60642?

This is a difficult question since the answers to this question will depend largely on students’ familiarity with in-store data that may have been recorded by the store. Many may assume that data is readily available, and some may assume that managers may have access to relevant regional and national data, yet this may not be the case. West Elm is not a very large chain, but it has a presence in many states and cities and it has enjoyed considerable growth. As a result, it can be expected that West Elm collects many pieces of data that will assist it in its future merchandise assortment planning. In-store data linked to inventory management, especially inventory turnover and aging of inventory will be particularly relevant to the store’s merchandise planning. The subject of inventory management is taken up later in the text.

Sales data, the pattern of sales, the effectiveness of different promotions and advertising or events might also be evaluated as each piece of additional consumer information can be used to guide varied merchandising decisions. It is unknown as to what lifestyle indicators might be used by West Elm and whether they collect lifestyle data. But after reviewing some of the details of the Prizm segments for this area, students may have a better idea why lifestyle data can be of great benefit to its sales efforts. Note that many furniture resellers question visitors to their online stores as to the purpose of their site visit and may ask what rooms within their home or apartment they are shopping for.

Answers to these and other questions shed light on what merchandise assortments should be presented to customers at the site and answers to the retailers questions might help the

retailer better understand what underlies consumers decision to shop at their store/site. Clearly, having this information can help the store in its sales task.

- D) Will these “insights” change appreciably when adjacent zip codes are considered? Explain.

This question is designed to have students map the Chicago area, and identify other zip codes that might also be served by the store. It is likely that the selection of other neighboring zip codes will generate other “segments” that may be more or less desirable targets for West Elm’s Chicago store. Once the more desirable segments are identified, students may be questioned as to how they might go about reaching these customers effectively and getting them to visit the West Elm store. Students may suggest discounted parking, direct mail offers providing time-sensitive discounted coupons for new customers only, as well as, other possible promotional efforts to attract the more distant customer to visit the store.

It should be mentioned to students that West Elm has done quite well with their catalogs and web site, and stores like West Elm have used catalog and online sales data to help them identify geographic areas which are better candidates for its new stores.

While it is likely that the bulk of their sales involve a store visit, this multi-channel retailer has the ability to provide detailed information to its prospective customers that go well beyond the information normally obtained in a store visit. Important product information is readily obtained from the store’s website, as well as, information pertaining to delivery and shipping policies along with charges associated with delivery that factor into consumers’ decision making.

## Chapter 2

### Exam Questions and Answers

#### Multiple Choice

1. Which of the following is not a store characteristic that determines a consumer’s store choice:
  - a. Store personnel
  - b. Corporate ownership
  - c. Store image
  - d. All of the above are store choice criteria
2. Essential features of a display that will produce results are:
  - a. The display should arouse attention and interest.
  - b. Signage has to become an integral part of the display.

- c. The display should be consistent with the store image.
  - d. All of the above
  
- 3. The stages of perception are:
  - a. Attention, comprehension, retention
  - b. Attention, comprehension, purchase
  - c. Comprehension, purchase, level of satisfaction after purchase
  - d. None of the above
  
- 4. Ways of identifying market or customer segments include:
  - a. Geographic
  - b. Demographic
  - c. Psychographic
  - d. All of the above
  
- 5. A non compensatory model is:
  - a. When a low score on one factor doesn't affect whether or not a consumer will shop at the store.
  - b. When a high score on one factor can eliminate a consumer from shopping at the store.
  - c. Where a store is evaluated on only 1 or 2 factors.
  - d. All of the above
  
- 6. Shoppers are categorized in many ways so that buyers develop an understanding of who their customers are. Which of the categorizations discussed the Economic Consumer?
  - a. Shopper type by value orientation
  - b. Shopper type by time needed in the adoption process
  - c. Shopper type by frequency and intensity
  - d. None of these shopper types
  
- 7. Shoppers are categorized in many ways so that buyers develop an understanding of who their customers are. Which of the categorizations discussed the Innovative Consumer?
  - a. Shopper type by value orientation
  - b. Shopper type by time needed in the adoption process
  - c. Shopper type by frequency and intensity
  - d. None of these shopper types

8. Shoppers are categorized in many ways so that buyers develop an understanding of who their customers are. Which of the categorizations discussed the Store Intensive Consumer?
  - a. Shopper type by value orientation
  - b. Shopper type by time needed in the adoption process
  - c. Shopper type by frequency and intensity
  - d. None of these shopper types
  
9. Internal factors influencing consumer behavior are important for the buyer to understand. Which of the following are internal factors?
  - a. Social status, reference groups and attitudes
  - b. Culture, values and reference groups
  - c. Attitudes, perceptions and personality
  - d. Values, attitudes and personality
  
10. Market segmentation can best be described as:
  - a. The process of dividing the market into several smaller groups with similar factors that influence their demands
  - b. A categorization that explains why people buy
  - c. The totality of qualities and traits made up of character and behavior
  - d. The process of understanding the stimulus that makes consumers buy what they buy.

### **True/False**

11. A multi-attribute model is designed to predict consumer's attitudes toward store choice or shopping behaviors.
12. Innovators are the people who design, create, or invent new products.
13. Objective shoppers are highly educated and are willing to take time in making a decision.
14. A loss leader is when a widely known product is sold at a price close to cost.
15. External factors that influence consumer behavior are culture, values, and attitudes.
16. Motives are the reason for doing something or behaving in a particular way.
17. VALS is a survey that divides consumers up on their social class and life style characteristics.
18. Lifestyles are constantly changing are influenced by external and internal factors.
19. A low involvement purchase is one that considered more important to the consumer but costs less than high involvement purchases.
20. Culture has been described as the society's personality.

### **Answers to Chapter 2 Exam Questions:**



1. B
2. D
3. A
4. D
5. C
6. A
7. B
8. C
9. C
10. A
11. T
12. F
13. T
14. T
15. F
16. T
17. F
18. T
19. F
20. T