UNIT 3 CUSTOMER BUYING PATTERN

Structure

3.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain customers' buying pattern
- Identify the actual customer of the business
- Identify the different types of customers' buying pattern
- Explain the importance of customers' buying pattern analysis

3.1 INTRODUCTION

Retail, as we know in India, may touch $2 trillion by 2030. The speed at which changes are being observed with the conversion of unorganised players to organised players in retail is enormous. Before we understand the customer buying pattern, let us understand the difference between consumers and customers. Customers buy products but may or may not consume on their own. believesA consumer is someone who believes the products and consumes them on his own. This differentiation clearly defines customers and consumers, which is very much needed to understand as a student of Retail.

Buying pattern talks about a consumer's purchase pattern and can be defined as "the characteristic way in which consumers purchase products or services in terms of quantity, frequency, timing, value, etc. The buying behaviour of a customer depends on various reasons and hence is inconsistent. Studying consumers' buying patterns is called buying pattern analysis.

3.2 UNDERSTANDING OF ACTUAL CUSTOMER

A customer buying pattern refers to the repeated behaviours and tendencies that a customer displays regarding their purchasing decisions and habits, such as frequency of purchases, product or service preferences, budget, time of purchase, etc.

Buying patterns based on product type are as follows: -

- **Groceries / Daily Needs** – For daily need products, the customer purchases on a monthly cycle. They buy in Buik at either the the month's or the month's beginning or end. This is called monthly ration. Top up happens in between the weeks anytime. Here, customers increase their buying basically on the basis of earning capacity and ability to spend on monthly household expenditures. Whereas lower middle-class customers based onrequirement generally buy from nearby shops, which are called Kirana Shops, buy in small qty and small packs as they spend based on the needs and requirements in the house.

- **Apparel** – It is everybody's need in the world. Customers buy for occasions like festivals, marriages, anniversaries, birthdays, or any good auspicious event in the family. Some customers purchase on the basis of the fashion trend. As soon as the trend changes, they buy a new merchandise set. Sometimes, customers buy the apparel just like that, which is ad hoc buying also. Indian apparel buying is no longer a planned decision-based buying anymore.

  Lifestyle Products - These are watches, sunglasses, perfumes, fashion jewellery, and belts – they are brought against the requirement for high ticket value; it is all affordability and aspiration to own that specific brand or product.

- **Home & Car** – This is a well-planned decision where the whole family is involved in the decision-making process. It is an aspirational event which is linked with emotions. Buying a house is a once-in-a-lifetime decision-making process. This decision is based onmade based on the affordability to pay house EMIs or to buy outright.

- **Insurance –** It is a planned purchase to manage the future risk in life. It helps in supporting families with risk of family member life. In those events, the family is endowed with enough cash flow to support the family. Here, this customer buys insurance with a lot of checks and support from the information provided by the Insurance agent.

- **Home Furnishings -** The home furnishing products are not needed regularly, they are again occasion based and need based too. Female customers generally buy it.

There are many types of customers which are as follows: -

1. The whole family as a customer buys jointly.
2. DINK – Double income, no kids
3. SINK – Single income, no kids.
4. Young unmarried girl
5. Young unmarried boy
6. Students in college
7. Children in school
8. Old age customers

3.3 THE UNDERSTANDING OF CUSTOMER'S BUYING PATTERN

Customer buying patterns are determined based on the needs, preferences and tastes of the product and services from whom the product is bought. There are numerous patterns that influence customers' buying patterns.

Place of the Location of Purchase – Generally, customers prefer to buy the products based on their needs in their mind. They decide to choose the location and size of the store based on the type of merchandise they wish to buy for their needs. The customer is never loyal to any brand or retail store. They buy products when they get the right product and the right price, which gives them overall satisfaction.

Types of Products and Qty's Purchased Basis- Customer preference of product and qty which they wish to buy is based on multiple factors, which are as follows: -

- Buying capacity of a customer
- Product's perishable nature and durability
- Availability of stocks means fill rate optimization.
- Customer requirement of the product
- Product shortage
- Product mix with the right brands in place
- Pricing and promotions

Retailers should adjust their retail work hours as per the peak time availability of the customers, which includes considering various factors such as weather, seasonal variations, and customer location. The product purchase frequency will largely depend upon the following elements:

- The product types
- Customer Lifestyle
- How essential the product is

- Festivals, Rituals, and Customs
- The extent of influence of the individual who accompanies the ultimate buyer of the product.

Buying Process

It involves an analysis of the following factors such as:

- Whether the customer is buying the product alone or is accompanied by somebody.
- Whether a customer makes the payment by cash or by way of debit/credit cards, net banking or on a credit basis. We should not forget to make payments through various digital means.
- An analysis of the mode of conveyance of the customer.
- Item per bill. If it goes up, customers are buying more products under one bill.
- ABV – Average bill value indicates how much a customer is buying.
- Conversion %- Growth in conversion % indicates customers entering the retail store. Percentage of them bought the products. If it is high, then it is always good.

3.4 CUSTOMERS' RESPONSES TO THE RETAILERS - SALES PROMOTIONAL TECHNIQUES

Retailers plan many sales promotional techniques to entice customers when they enter the store. The retailers depend upon the following sales promotion techniques for influencing the buying behaviour of their customers:

- **Product Displays:** Product display create an aesthetic appeal and hence influence the customer's buying behaviour.
- **Demonstration:** Product demonstrations or product demos help customers to feel the product, whether food or non-food. The confidence to buy that product goes up, hence leading to additional purchases.
- **Special Schemes and Pricing:** Various product schemes, offers, special prices during festive seasons or off-season, coupons, special offers, contests, etc., play a crucial role in moulding customer buying behaviour.
- **Sales Talks Delivered Verbally** - Well-trained team helps in doing demos efficiently. They can understand customer problems and needs clearly, do suggestive selling to customers to get the right product. Loyalty to customers gets a big push when the sales team sells products correctly with complete confidence to customers.

Check Your Progress A

1 Define Customer buying pattern means?

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2 Why is loyalty important in buying patterns?

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3 What do you mean by consideration in promotions in customer buying patterns?

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3.5 TYPES OF CONSUMER PURCHASE DECISIONS

Understanding types of buying patterns is, interestingly, very important to build retail organisations. It leads to customer satisfaction and continuously builds loyalty in customers' emotional level decisions to buy from a particular retailer.

1. **Minor Repurchase**

   It is a top repurchase based on needs. Customers do not spend enough time overthinking before buying. For example, a customer buys a cold drink for himself or his family.

2. **Minor New Purchase**

   These are new purchases. Customers understand their needs. For example, buying apparel for a kid or a mother for his daily usage. It is a minor purchase significant that does not require major decision-making.

3. **Major New Purchase**

   In this kind of purchase, the customer has no previous experience and thus is clueless. This kind of purchase is essential to the customers challenging, and this is one of the most difficult types of consumer buying patterns. A simple example here would be a consumer deciding to buy a Car. As the customer does not have previous experience buying a new vehicle, He will research and collect information from various car brands.

3.5 TYPES OF BUYING PATTERNS

1. **Impulse Buying:** Buying based on a sudden urge or whim without prior planning or consideration.
2. **Habitual Buying**: Repeated purchasing of the same product due to established habits and routines.
3. **Variety-seeking Buying:** The tendency to buy different products, brands, or styles to experience variety and newness.
4. **Need-based Buying:** Purchasing to fulfil a specific need or requirement.
5. **Value-driven Buying:** Purchasing based on price, quality, and personal values.
6. **Loyalty-driven Buying**: Consistent purchasing of a particular brand or product due to brand loyalty.
7. **Complex Buying:** Decision-making process for high-involvement, expensive, or infrequent purchases involving extensive research and evaluation of alternatives.

Understanding these patterns can help businesses tailor their marketing strategies and offerings better to meet the needs and preferences of their customers.

3.6 WHY BUYING PATTERN ANALYSIS IS IMPORTANT?

Buying pattern analysis is essential because it gives businesses valuable insights into consumer behaviour and preferences. By understanding customers' buying patterns, companies can improve their marketing strategies, target their offerings more effectively, and ultimately increase sales and customer loyalty.

Advantages of Buying Pattern Analysis:

1. **Improved Targeting:** Businesses can use buying pattern data to target specific segments of customers more effectively, resulting in higher conversion rates and increased sales.
2. **Customer Insights:** Buying pattern analysis can provide insights into customer needs, preferences, and decision-making processes, which can inform product development, pricing, and promotional strategies.
3. **Increased Efficiency:** optimise Businesses can optimise their resources and improve their efficiency by identifying the most effective marketing and sales channels.
4. **Better Understanding of Market Trends:** Buying pattern analysis can provide insights into market trends and shifts, allowing businesses to anticipate changes and adapt accordingly.

Disadvantages of Buying Pattern Analysis:

1. **Data Collection Challenges:** Collecting accurate and comprehensive buying pattern data can be challenging, particularly for businesses with multiple customer engagement channels.

2. **Data Interpretation:** Proper interpretation of buying pattern data requires a thorough understanding of consumer behaviour and market dynamics, which can be difficult for businesses without expertise in these areas.

3. **Cost:** Buying pattern analysis can be resource-intensive, requiring significant investment in data collection, storage, and analysis tools.

Overall, while buying pattern analysis has its challenges, its benefits make it an essential tool for businesses looking to gain a competitive advantage and meet the needs of their customers.

Check your Progress B

1 Define data interpretation impact of customer buying with examples:

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2 What do you mean by Customer insights? Kindly explain with examples.

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3.7 LET US SUM UP

Customer buying patterns always get a push when a retailer meets customers' expectations. Retailers may do very well when they help customers with their buying patterns. Focusing on stock mix, fill rates, right store location, efficient, friendly staff, nice ambience, faster checkouts, focusing on right category mix.

Key Learnings:

- Impact of Meeting Expectations: Retailers can significantly influence customer buying patterns by meeting or exceeding customer expectations.

- Enhancing Customer Experience: Retailers excel when they assist customers effectively throughout their buying journey.

- Key Areas of Focus: To optimize customer satisfaction and buying patterns, retailers should concentrate on several critical aspects:

- Stock Mix: Ensuring a balanced and relevant assortment of products.
- Fill Rates: Maintaining adequate inventory levels to meet demand promptly.
- Store Location: Choosing strategic locations accessible and convenient for customers.
- Staff Efficiency and Friendliness: Employing competent and amiable staff to assist customers effectively.
- Ambience: Creating a pleasant and inviting in-store environment for shoppers.
- Faster Checkouts: Streamlining the checkout process to enhance convenience and efficiency.
- Category Mix: Offering a well-curated selection across various product categories to cater to diverse customer preferences.

3.8 KEYWORDS

Customer Value: Needs and expectations of the customers from the company and its product.

Customer Retention: Maintaining the existing customers in the business.

Customer Relationship: Keeping the Customers happy and satisfied to have them in the business for a long time

Customer Value Management: It is a potent tool to make the company truly customer oriented and bring success to the company/ business.

Customer Defined Value: Value of the product and services perceived by the customers.

3.9 TERMINAL QUESTIONS

1) Define Customer buying patterns.
2) How does conversion of a retail store boost customer buying patterns?
3) Why does ABV (Average bill value) positively boost customer buying patterns?
4) Give examples of top customer buying patterns.
5) Explain why retailers focus on customer buying patterns.

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