Annual BSP-UP Professorial Chair Lectures

LECTURE NO. 2

Shopping Problems of Urban Filipino Consumers

Dr. Ben Paul Gutierrez

BSP-UP Centennial Professor of Business Administration
SHOPPING PROBLEMS OF URBAN FILIPINO CUSTOMERS

Dr. Ben Paul B. Gutierrez
University of the Philippines
College of Business Administration
Bangko Sentral ng Pilipinas Centennial Professorial Chair in Management
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Introduction

Retailing covers all activities in selling goods or services to the final consumers for personal or business use irrespective of the type of organization, how the goods are sold or where the goods are sold.

Kotler and Keller (2009, p. 482)
Focus on Retailing

2001 - Retail search strategies
2002 - Planned versus impulse buying
   (Published in Asia Pacific Management Review, 2004)
2007 - Shopper satisfaction
2008 - In-store media effectiveness (Published in Philippine Management Review, 2008)
Why Retailing?

- Retail sector accounted for 10.7% of GDP of the Philippine economy in 1981-1999;
- Employed 4.3 million mostly female workers in 1998;
- Fulfills the distribution and bulk breaking functions;
- Serves the general population for most of household requirements

(Patalinghug, 2001)
Typical Retailers’ Marketing Decisions

- Target market
- Product assortment & procurement
- Pricing
- Services and store atmosphere
- Store activities & experiences
- Communication
- Location

Kotler and Keller (2009, p. 488-495)
Supermarkets

- Account for 37% of retail sales in 2005
- Average retail sales of P6.6 billion per month
- Large supermarkets (16 or more COCs) account for 41% of total supermarket sales.
- Supermarkets in malls have three times bigger sales than those outside the malls.
- *Sari-sari* stores capture only 30% of retail sales but account for 90% of the universe of stores.

(AC Nielsen, 2005)
Filipinos still shop in-store for groceries

- Online retailing is still negligible
- Only Rustan’s has delivery service for groceries. Suy Sing for wholesalers
- Internet marketing in social networking sites is limited to lifestyle products (cosmetics, apparel, footwear).
- Direct selling is popular for cosmetics and personal care (Avon, Natasha, etc.)
Scope of the Study - Shopping problems in supermarkets

- Difficulties of customers while inside the supermarkets – sources of stress
- Dissatisfiers >>> customer defection and decrease store sales
- Must be minimized or eliminated if retailers desire to increase customer satisfaction and maximize merchandise sales.
Shopping is an enjoyable activity

- One of America’s biggest cultural obsessions (Wilson, 1995)
- Maybe recreational or laborious depending on shoppers’ interpretations of encounters with other people and personal situations (Prus & Dawson, 1991)
Shopping is a chore and a source of stress

- Grocery shopping has become a chore (Aylott & Mitchell, 1998; Dickinson, 2006)

- Americans try to avoid in-store shopping through computer, TV, mail or telephone (Morgenson, 1993)

- Customers want to spend less time on shopping (Fram & Axelrod, 1990)

- Customers have become impatient shoppers (Dickinson, 2006)
Research Questions

- What are the reasons for supermarket patronage among urban Filipinos?
- What are the common problems faced by urban Filipino shoppers in supermarkets?
- How do these grocery shopping problems compare with those of toiletry customers?
- What can Filipino retailers do to improve the shopping experience?
Significance of the study

- Awareness of shopping problems could lead to measures to improve the customer experience and promote more retail patronage.

- More patronage improves sales and profitability of the retailers.
Review of Related Studies

- Retail Patronage Predictors
- Consumer Shopping Problems
What brings customers to the store?

- Two dimensions of retail patronage – store choice and frequency of visit
- Determinants of retail patronage could be grouped into –
  1. Product-relevant factors (low price, quality, etc.)
  2. Market-relevant factors (convenient location, etc.)
  3. Personal factors (store attitude, gender, etc.)

(Pan & Zinkhan, 2006)
Determinants of store choice - Market- and product-relevant factors

1. Wide selection (or assortment)
2. Service
3. Product quality
4. Store atmosphere
5. Low price levels
6. Convenient location
7. Fast checkout
8. Convenient opening hours
9. Friendliness of salespeople
10. Convenient parking facilities

(Pan & Zinkhan, 2006)
Determinants of frequency of visit - Personal factors

1. Store image
2. Store attitude
3. Gender
   - Income & age, not significant

(Pan & Zinkhan, 2006)
Customer shopping problems

- Two major grocery shopping stressors – crowding and queueing
- Queueing is a function of crowding

(Aylott & Mitchell, 1998)
Crowding & queueing stressors

(Aylott & Mitchell, 1998)

1. Badly behaved young children
2. Parking problems
3. Shopping cart maneuverability and collisions
4. Checkout problems
5. Aisle width and congestion
6. Time pressure
7. Seasonal shopping
8. Overheating
9. Out-of-stock products and
10. Obstructions by elderly people or prams
Other shopping problems

- overpriced goods, lack of money, too much choice
- not being able to reach high shelves, friction caused by shopping with others, finding cash dispensing machines inoperative, being overwhelmed by a plethora of promotions and information, and having one’s children tempted by store advertisements and the pestering that results.

(Aylott & Mitchell, 1998)
**VI SA, UK Study** (Dickinson, 2006)

- 70% of shoppers will balk or walk out of the shop if the queue is too long, 76% patronize late-night or 24-hour supermarkets, 43% use self-service checkouts to speed up their shopping trip, 37% avoid shops by shopping online, and 10% become seriously annoyed as soon they join any queue.

- Consumers spend about 273 days of their lives waiting in queues

- It takes 35- to 44 year olds 12 minutes in a queue to get seriously annoyed
In-Store Shopping Experience
Four Stages in the Shopping Process

1) Entering the store;
2) Entering a specific aisle, section or department of the store;
3) Checking and paying for items; and
4) Postpurchase customer service.

(Burke 2002, p. 414)
Was the shopping experience exciting or problematic?

- Depends on an interplay of individual stress reaction factors (individual demographics, personality, coping ability, etc.) and store-related factors (crowd density, staff attitude & training, location, etc.) (Aylott & Mitchell, 1998)

- Retailers obviously have little control of the individual stress reaction factors but certainly have control of the policies which affect the store-related factors.
ABCs of Research
Philippine Supermarket Study, 2006

**A** ctors – 500 customers (shoppers) of 10 Philippine supermarkets

**B** ehavior – shopping problems

**C** ontext – urban Philippines, September 2006
Philippine Supermarket Study, 2006

Method

- Interviewer-assisted structured questionnaire
- Sampling, randomly selected as customers left the checkout counters
- Quota per store distributed over weekend, weekday, and hours of store operation
Quantitative Method

- Survey – Unaided verbatim responses were recorded by trained interviewers
- Rider study – main purpose of study was to evaluate in-store media and measure awareness of sample brands
Philippine Supermarket Study, 2006

Instrument

- Items on reasons for store patronage, store last visited, customer shopping problems, suggested improvements in the store
- Used English and Tagalog for Luzon
- English and Cebuano for Cebu and Cagayan de Oro (CDO)
Sample

- n=500 shoppers from 10 supermarkets
  - 150 shoppers in Metro Manila
  - 150 shoppers in Angeles and Batangas cities
  - 50 shoppers in Cebu City (two supermarkets opted out in this portion of the study)
  - 150 shoppers in Cagayan de Oro City
- Only one respondent per household
PRESENTATION OF FINDINGS

- Sample demographics
- Frequency of grocery shopping
- Reasons for store patronage
- Shopping problems
- Store last visited
- Reasons for visiting another store
Sample Demographics
Philippine Supermarket Study, 2006

- Females: 89.0%
- Age:
  - Below 20 years: 13.4%
  - 20-29 years: 31.6
  - 30-39 years: 22.2
  - 40 years and above: 32.8
  
  (mean, 33.8; median, 32)
Frequency of Grocery Shopping

About once a month 7.8%
Two to three times a month 21.6
About once a week 28.2
Two to three times a week 31.0
Everyday, almost everyday 11.4

Philippine Supermarket Study. 2006
**Reasons for Store Patronage (%)**
*Philippine Supermarket Study, 2006*
*500 responses; multiple responses possible*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malapit sa amin (near our house)</td>
<td>40.3</td>
</tr>
<tr>
<td>Mura ang groceries (cheap groceries)</td>
<td>30.7</td>
</tr>
<tr>
<td>Kumpleto ang paninda (complete assortment)</td>
<td>8.8</td>
</tr>
<tr>
<td>Maluwag (spacious)</td>
<td>3.5</td>
</tr>
<tr>
<td>Malamig (cool, airconditioned)</td>
<td>3.3</td>
</tr>
<tr>
<td>May reward points (Has reward points)</td>
<td>2.2</td>
</tr>
<tr>
<td>Madaling makita ang item (easy to find items, organized)</td>
<td>1.8</td>
</tr>
<tr>
<td>Mababait ang mga staff (friendly and helpful staff)</td>
<td>1.3</td>
</tr>
<tr>
<td>Others</td>
<td>8.0</td>
</tr>
</tbody>
</table>
Any shopping problems today?

Had shopping difficulties / problems 42.4%

No shopping difficulties / problems 57.6%

Philippine Supermarket Study. 2006
# Shopping Problems (Percent)

**Philippine Supermarket Study, 2006**
(273 responses, multiple responses possible)

<table>
<thead>
<tr>
<th>Problem Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Mabagal na pila</em> (slow queue; few checkout counters)</td>
<td>19.4</td>
</tr>
<tr>
<td><em>Mainit; mahina ang</em> aircon (hot)</td>
<td>13.6</td>
</tr>
<tr>
<td><em>Hindi kumpleto ang</em> stocks (stockouts)</td>
<td>13.6</td>
</tr>
<tr>
<td>Request to carrying some items in the assortment</td>
<td>11.0</td>
</tr>
<tr>
<td><em>Lakihan ang space; makipot ang</em> aisles (crowded)</td>
<td>7.7</td>
</tr>
<tr>
<td><em>Madilim, dagdagan ng ilaw</em> (too dark)</td>
<td>7.0</td>
</tr>
<tr>
<td>More parking space</td>
<td>4.4</td>
</tr>
<tr>
<td><em>Lagyan ng kainan sa loob</em> (include a food store)</td>
<td>3.7</td>
</tr>
<tr>
<td><em>Maraming ipis</em> (many cockroaches, cleanliness)</td>
<td>3.5</td>
</tr>
<tr>
<td>Others</td>
<td>16.1</td>
</tr>
</tbody>
</table>
Awareness of ongoing in-store promotions

Yes  23%

No   77%

Philippine Supermarket Study. 2006
Is the last store visited the same as the store you’ve visited today?

Yes, the same store as today  72.8%
No, another store was visited  27.2%

Philippine Supermarket Study. 2006
**Why did you visit another store?**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Namasyal sa mall, nag-grocery na rin</td>
<td>20.9%</td>
</tr>
<tr>
<td>(went malling, then shopped for groceries)</td>
<td></td>
</tr>
<tr>
<td>Mas kumpleto and items (more complete)</td>
<td>20.0</td>
</tr>
<tr>
<td>Malapit din sa amin (near our house)</td>
<td>15.5</td>
</tr>
<tr>
<td>Napadaan ako doon (passed by the place)</td>
<td>13.6</td>
</tr>
<tr>
<td>Mababa din ang presyo (cheap price)</td>
<td>9.1</td>
</tr>
<tr>
<td>Bumili ng gamot (bought medicine)</td>
<td>6.4</td>
</tr>
<tr>
<td>Malamig (cool)</td>
<td>4.5</td>
</tr>
<tr>
<td>Others</td>
<td>10.0</td>
</tr>
</tbody>
</table>

n=136 shoppers; 110 responses, multiple responses possible

Philippine Supermarket Study. 2006
## Comparison with Toiletry Shopping

**Any shopping problems today?**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had shopping problems</td>
<td>42.4%</td>
<td>13.4%</td>
</tr>
<tr>
<td>No shopping problems</td>
<td>57.6%</td>
<td>86.6%</td>
</tr>
</tbody>
</table>

Philippine Supermarket Study. 2006 (n=500)
Toiletry Study, 2000 (n=502; female, 85%; 18-40 yrs, 83%)
Toiletry Shopping Problems

- Store is crowded: 19.0%
- Long lines: 17.3%
- Not enough information: 15.2%
- Stockouts: 11.9%
- High price: 11.0%
- Beauty consultant, not helpful: 11.0%
- Beauty consultant, not welcoming: 10.3%
- Others: 4.3%

863 responses; multiple responses possible
2000 Toiletry study
Conclusion

- Store location is crucial for retail patronage, followed by price. Top two reasons comprise (71%)

- Incidence of shopping problems in supermarket is high at 42%. This could impact customer satisfaction tremendously.

- Top three shopping problems (47%) can easily be solved by improving store operations.

- Toiletry shopping problems are similar, except for lack of information and beauty consultants, which maybe category-specific.
Implications for Retail Management

- More checkout counters during busy periods – use technology to speed up process, e.g. scanners
- Stockouts could be prevented by better inventory management and prioritizing the popular items by having enough buffer stocks.
- Opportunity to carry categories such as frozen food, dry goods, hardware or even appliances – hypermart concept. Needs careful study because it involves additional working capital & equipment.
Implications for Retail Management

- Design store environments that reduce the expected shopping difficulties of customers
- Put prominent store signs to enable customers to find the items better
- Complementary or related product categories should be located together
- Have trained & knowledgeable store personnel
- Improve the general store environment (sanitation, lighting, clean toilets, etc.)
Limitations and Directions for Future Research

- Rider study, limited questions were asked.
- Store exit interviews may have amplified problems for customers who are in a hurry to go home.
- Urban sample areas; result not generalizable to rural areas.
- Future studies could be done at both qualitative and quantitative levels.
Limitations and Directions for Future Research

- Shopping with consumers (SWC) combined with depth interviews (Lowrey, Otnes & McGrath, 2005)
- Problems of a consumer segment, e.g., elderly study (Mason & Bearden, 2005)
- Access of physically-challenged customers (Guy, 1983).
Limitations and Directions for Future Research

- A further study of moderators, the interaction between the predictors of retail patronage (Pan & Zinkhan, 2006)
- Investigating store loyalty (Flavian et al. 2001; Knox and Denison, 2000; Sivadas and Baker-Prewitt, 2000; Miranda et al. 2005)
PARTING WORDS:
How should customers be treated?

If retailers can bring customers to their stores through their marketing efforts, they should make them happy and provide a delightful shopping experience.

After all, marketing has invited them inside, so customers ought to be treated like guests.

(Lovlock, 2007)
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