

1.2 UNDERSTANDING THE CUSTOMER

Objectives:

- Recognize the customer mindset.
- Discuss the customer life cycle.
- Describe customer behavior and the importance of the sales associate in facilitating customers' purchasing decisions.
- Define "influencers" and understand how these individuals affect customer purchasing decisions.
- Understand how customers use technology to interact with retailers.



“Excite the mind and the hand will reach for the pocket.”

- Harry Gordon Selfridge

In every retail transaction, the most important person is the customer since they are the one making the purchasing decision. That's why customer service is critical in retail and employees who provide excellent service are highly valued.

In retail stores, employees are the face of the company to consumers. They define the service experience through an authentic greeting, listening carefully to customer wants and needs, assisting with products and services and efficiently completing the purchasing. But it is not just doing these steps that counts; it's *how* you do them that matters. Great customer service helps to build trust between consumers and the brand. Trust increases loyalty, the likelihood that a customer will shop at a particular retailer again and again.

Recognizing the Customer's Mindset

Customers value different things from retailers, customer service and their shopping experiences. This is the result of their **mindset**, or attitudes and expectations about the experience. Understanding that people approach purchasing in multiple ways allows you to personalize your service, delivering a much better customer experience.

Take a minute to think about your own habits. What type of mindset do you have when you buy?

- Do you shop for fun or only when you need something?
- Do you prefer to shop alone or with friends or family?
- Do you research purchase options ahead of time?
- Do you follow retailers on social media?
- Are you loyal to specific brands or stores?
- Are you the first to purchase new technology?
- Do sales promotions, coupons, discounts and/or advertising influence you to purchase?



If you're thinking that sometimes it depends on the situation, you're right. The things a customer values when purchasing one type of merchandise or service can be different from their mindset when purchasing something else—For example, socks versus a wedding dress.

Customer Mindsets



As you greet customers and get to know their needs, identifying their mindset helps you tailor the service experience to best fit their expectations.

Comparison Shopper: A customer with this mindset spends a lot of time checking out products and prices through online sites, visiting different stores, comparing retailer ads and/or getting the opinions of others, either personally or through social media. A comparison shopper can take a long time to make a purchase decision and might return to a retailer several times before making a purchase. These shoppers are certain that they want the best price and will return the item and buy it again at another retailer in order to get it.

Recreational Shopper: This customer views shopping as a fun occasion, rather than looking for specific merchandise or services. The recreational shopper's mindset is adventure. This type of customer enjoys walking through stores, trying on clothes, testing gadgets, talking to sales associates and learning about new products. Shopping does not necessarily include making a purchase.

Impulse Buyer: This shopper's mindset allows quick purchase decisions, often for inexpensive items that do not have a high importance to the buyer. Retailers entice shoppers in stores to purchase additional items in the checkout area as they wait to purchase their main items because impulse buyers often purchase them. Online shoppers can also have an "impulse buyer" mindset. One poll found that 80% of younger shoppers made an instant buying decision while skimming the Internet (creditcards.com, 2018).

Innovation/Trend Buyer: It is important to this person to be one of the first to purchase the newest technology, fashion, or car; eat at the just-opened restaurant; or see the latest movie. An innovation/trend buyer has an early adopter mindset and wants to be recognized as a trendsetter by others.

Follower: This customer wants to find out what's trendy before making a purchase. They have a more cautious mindset and are reluctant to be the first to try new products. They often look to established brands that they have previously purchased and trust for guidance before making a buying decision.

Loyal Customer: This customer is loyal to specific stores based on repeated and valued positive customer experiences with a retailer and their products and/or services. Loyal customers spend more money with retailers and brands they love!

These are some customer mindsets, but some shoppers may have a combination of mindsets or a different mindset entirely. It is best to work with each consumer individually to understand their current customer service expectations.



EXERCISE 5

What Kind of Customer Are You?

1. Imagine you need to buy a new cell phone. Which type of customer would you be? Describe the purchase experience that you might have.

2. Now imagine you need some dish soap. Does your mindset change? If so, in what ways?

3. Why is it important to understand customer mindsets?



The Customer Loyalty Life Cycle

Customer service contributes in a big way to a company's reputation. When a shopper has a great experience, they often tell others about it. But when they have a bad experience, they may tell even more people, damaging the retailer's reputation.

The Customer Loyalty Life Cycle shows the points where customer service can influence purchase decisions. When good service is provided, it is more likely that a customer will return to shop with the retailer, eventually becoming a loyal shopper.



The Customer Loyalty Life Cycle Steps

1. The customer has a want or need.
2. The customer considers different purchase options.
3. The customer chooses a buying option—either in a store or online.
4. The customer likes or does not like their store or online experience.
5. The customer has a good customer service experience and purchases from the retailer again.
6. The customer tells others about the good experience and becomes a loyal shopper.

How does customer service begin to impact the cycle starting at step 2?

The Customer Loyalty Life Cycle Disruptions

Unfortunately, a number of factors can interrupt the cycle and keep it from repeating:

- Employees might deliver poor customer service.
- Competitors may offer better products, services, or prices.
- An online site or app may be difficult for customers to use, discouraging them from purchasing.
- Product quality could be lower than a customer expected, causing the customer to return merchandise.
- If customers have a good experience, they often don't tell anyone. But if they have a bad experience, they often tell a lot of people! Social media enables customer reviews to reach many people very quickly.

Companies work hard to keep the Customer Loyalty Life Cycle in motion through great customer service experiences. This helps grow the business with repeat and new customers.



EXERCISE 6

Your Experiences with Customer Reviews

In your small groups, come up with an example of one good retailer experience and one bad that you heard about from family or friends, or saw in a review on social media.

Be ready to share your examples with the class.

Consumer Behavior

Successful retailers don't try to be all things to all people. Instead, they identify specific markets or customers who need, want and have the ability to buy their products or services. In order to do this, retailers must understand customer habits and purchasing behaviors. They do this through analyzing consumer data and considering what motivates people to buy.

Demographic data, or quantifiable information, such as household size, resident ages, income, education, occupation and place of residence, help retailers determine customer behavior. For example, a customer with a baby likely needs baby food, diapers or a diaper service, baby clothes, a car seat and a crib. Demographic information helps determine spending power, targeted needs and time available for shopping due to other commitments such as work, school, or caring for children.

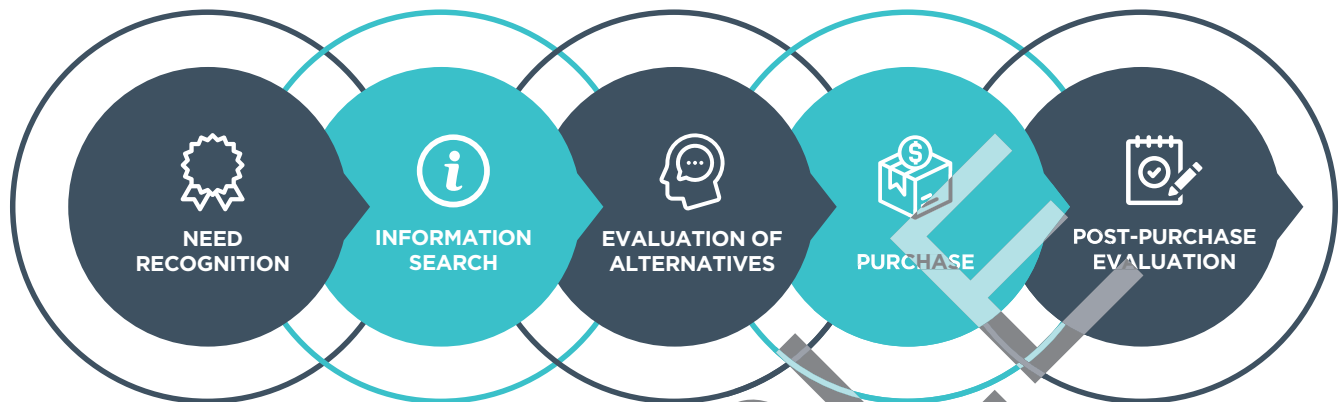
Motivation, or the reason someone behaves a certain way, influences the way consumers make purchase decisions. Motivation can be swayed by the following external and internal signals:

1. **External commercial cues:** Retailer marketing keeps their products and services in front of the customer. The delicious-looking food in a fast-food restaurant television advertisement is an example of a commercial cue.
2. **External social cues:** People—family, friends, coworkers, etc.—can influence behavior. If your friend says, “Everyone on Twitter says the new burger restaurant downtown is great! Let’s check it out,” that’s a social cue.
3. **Internal physical cues:** Sometimes, internal needs drive the decision to purchase. If you think, “I’m hungry. I’m going to drive over to Burger King for lunch,” that’s a physical cue.

But the external or internal motivation cue is only the beginning of a five-stage decision-making process.



The Five-Stage Decision-Making Process



Even though the steps may be lengthy or may be completed in an instant, customers usually progress through each of the following 5 phases during the decision to purchase.

- 1. Recognize a need:** An internal or external cue often results in the recognition that a product or service may be needed. “I just saw that dress Miley Cyrus was wearing on Instagram, I want that!” or “The washing machine is very old, maybe I should get a new one.” At this point, it’s just a consideration and may go no further.
- 2. Search for information:** As the motivation to purchase the item increases, the person begins to consider ways that their wants and needs could be satisfied. “Let me look online for the performance where the Instagram pic was taken. It may have the dress designer’s name,” or “I could check out Best Buy and The Home Depot for a new washer; let me look online to see what they have available.”
- 3. Evaluate alternatives:** The customer has done their research and is ready to compare options to prepare for purchase. “Miley’s dress is from a designer that is very expensive, but an online search shows that Urban Outfitters and Zara have similar styles that are much less expensive. I want to try it on though,” or “Both Best Buy and The Home Depot have the washer I want, both offer a price match guarantee and free delivery, but the service was so much better at...”
- 4. Purchase:** Criteria such as retailer reputation, quality of customer service, price, product availability, the proximity of the store to the customer’s home and other factors figure into the customer’s decision to buy at one location versus another.
- 5. Review decision and experience:** After the purchase is complete, the customer reflects on whether the product or service met their expectations and about the quality of the customer service provided by the retailer. If they are happy with these things, they are more likely to repeat the purchase behavior and recommend the retailer to others. If they did not have a positive experience, the next time they need to make a similar purchase, they will reevaluate the alternatives and choose a different option. In addition, they may tell others to avoid the product or service and the retailer.