

# Analysis of impulse buying



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“ Impulse buying is defined as a buying action undertaken without the problem having been previously recognized or a buying intention formed prior to entering the store. “

#### Operational Definition

“ Shoppers are asked upon exiting the store what items they purchased. For each item, they are then asked some variant of the question when they decided to buy; before or after entering the store. The items purchased whose decisions were made after entering the store are impulse purchases.”

#### Problems identified with impulse buying studies:

There are three main problems with the earlier research on impulse buying

Prior studies conducted were based on a taxonomical research approach which classified products into impulse and non-impulse categories. This tends to ignore that fact that almost anything can be bought on an impulse. This approach is ineffective because it divert attention from the internally triggered motivations and their expression which is crucial to understand impulse purchase. At the end of the day, it is people, not products that show impulse consumption behaviour.

Not all impulse buying can be categorized as unplanned purchase and vice versa. A lot of purchase which are not planned can be a result of stimulation in the minds of the consumer inside the store which leads to recall of the purchase which they planned long before but had been delayed or postponed. It is incorrect to classify such behaviour under impulse. Impulse buying drops down to a much narrow and specific range of phenomenon

than may come under unplanned purchase. To clarify it can be said that “impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy something immediately” (Hoch & Loewenstein, 1991)

There hardly exist any theoretical models or framework on impulse buying behaviour. Previous work has not offered any behavioural model to explain impulse buying in totality. Especially if we look at the functional or implementation level for the marketers, there hardly exist any organized reference models to use impulse purchase as a tool to improve sales. Many models link arousal and purchase indirectly linked by some external variable. But they have no mention of phenomena where arousal leads directly to purchase.

Five factors that affect impulse purchase:

1. Navigating through categories lead to impulse buying: I found this paper on e-Commerce that had a very interesting study on impulse buying and what causes it. The paper studied habits of consumers shopping online, and found that people browsing through products by clicking categories were more likely to buy something on impulse than people searching for stuff online. The rationale is that people navigating through categories get exposed to a much greater breadth of products than people looking for products through search.

2. Power Distance Belief (PDB): I found this research paper that discusses the concept of Power Distance Belief (PDB) and its impact on impulse buying. I am not sure if I fully agree with it, or even understand it, – but it’s a really

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interesting and novel take on the subject. Power -distance belief – is the degree of power disparity that the people of a culture expect and accept. Higher the PDB, the more a person expects and accepts disparity in power. Eastern cultures like China and India have a high PDB and western cultures like America have a low PDB. A low PDB results in greater impulse buying, and a high PDB results in lower impulse buying. The reason for that people in eastern cultures who expect more power disparity, are also brought up to practice self restraint much more than people in western cultures who don't expect so much power disparity.

3. Prosperity: I really don't need research to tell me that prosperity leads to impulse buying. During the peak of the recession – impulse buying was not even something I thought about, let alone engage in. Now, that the situation has markedly improved, – a lot of people are engaging in it, including myself.

4. Shiny stuff causes impulse buys: According to this piece, things that are sparkly, noisy, jiggly, furry, fuzzy, or have any other feature that makes them draw attention will sell well on impulse. This makes sense too, because the more attention something draws, the more likely it is that you will think about it and end up buying it.

5. Price: This factor is the most talked about when it comes to impulse buying. A lot of people say that they indulged in impulse buying just because something was on a discount. I am sure deals and discounts contribute to impulse buying, and when we see something priced much lower than what we are used to, – that triggers a desire to get that thing and save money.

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## **Visual aid to trigger impulse purchase:**

Emotions are at heart of impulse buying decisions

Today's retail stores are almost universal in their reliance on self-service merchandising and a high rate of impulse buying. Self-service merchandising is facilitated by store design and careful attention to traffic flow, while impulse buying is enhanced by the use of special displays. Estimates shows that at least 5 percent of total sales are the result of special displays.

Impulse sales are created not by persuasive reasoning, but by striking an emotion that the customer can act upon quickly. There appear to be three mechanisms by which the impulse buying response can be triggered.

First, the special display cues the customer to respond to an external advertising campaign. The display creates impulse sales by reminding customers about the extensive advertising to which they have (hopefully) been exposed. Second, the display can serve to break the consumer's conditioned reflex to buy a particular product. If the consumer buys Brand A because it has become a habit, then it will be necessary for them to have a reason to break this conditioned purchase behavior. Special displays provide a way to accomplish this because the consumer is responding emotionally, not through a reasoned process. Finally, special displays create impulse sales for new or novel products by instigating the desire to "try something new!"

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The salient feature to remember about impulse sales is that they are a response to an emotional appeal. A successful appeal may take many forms, but those most universal and easiest to communicate are identified by simple phrases such as: “ low price,” “ new,” “ free,” “ extra,” etc. A special display is used to get the customer’s attention for each of these messages.

To be successful in creating sales, each of the special displays must meet two objectives. The first and most basic is to get noticed. This is accomplished by positioning the display, where it is easily seen (either on an end cap, or sticking out from a shelf). However, given the competition for customer attention, this often is not enough. Methods of increasing visibility include bright colors, maximizing separation from the shelf or general merchandise, and massive size.

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The space and situation will dictate which method is appropriate. If, for example, the objective is to increase soft drink sales, this most likely is best accomplished by creating a large display with prominent signing. You also would want to increase impulse sales by creating a display of related merchandise such as snack foods and barbecue supplies. However, if less

space is available, then the traditional `shelf-talkers' and checkout counter displays are more useful approaches. Another excellent method for attracting attention is the use of special lighting. Lighting not only attracts attention to products, but also communicates a message. Incandescent light creates a softer, warmer image associated with quality. Coloured lighting can be used to achieve other effects.

The second objective of a special display is to create an impulse to buy. The message must be clear, immediate, and the action required, unambiguous. Of course, the trick is knowing how to communicate an emotional appeal that translates into the `buy me now' message. For chain drug stores, the messages that are most likely to be consistent with the merchandising mix and business policy are price and convenience

(Ted Gladson “ Emotions are at heart of impulse buying decisions”.)

Model to explain purchase behaviour:

Any visual contact with the product or product related communication produces a stimulus or need to look at the product and try it. This leads to development of an attitude towards the product stimulus and leads to three situations:

Affect – This leads to

Behaviour –

Cognition –

## **Reliance martC: UsersnimishDesktopRelianceMart at Ahmedabad. JPG**

Spread across 165, 000 square feet of shopping area, RelianceMart will provide the shoppers a never before experience shopping delight. The hypermarket will carry a range of over 95, 000 products catering to the entire family. Shoppers will have the option to choose from a wide array of products in every category ranging from Fresh Produce, Food & Grocery, Home Care Products, Apparel and Accessories, Lifestyle Product, Footwear and much more.

RelianceMart offers some unique services to the shoppers like tailoring, shoe repair, watch repair, a photo shop, gift services and laundry services all within the store. The store also houses its own fresh bakery serving “ hot off the oven” bread and bread products throughout the day and local savories, an ice-cream train for the kids, a chakki, ready-made batter and loose tea and pickle for the housewives. RelianceMart will also sell fine jewellery and fashion jewellery as a part of its Lifestyle section. RelianceMart will also house a health and wellness store providing pharmaceutical drugs and other wellness products. For the shopper’s convenience, the store has a cafeteria providing quality food and beverages for ready consumption, an ATM machine and a consumer service / membership desk to provide the customer a truly international shopping experience.

RelianceMart with 61 check-out counters has for the first time in India introduced the Mobile POS system for faster check outs. This is aimed at reducing the customer wait time. The store planning, atmospherics and layout has been designed specifically to provide “ a complete solution” to



the customer. RelianceMart will remain open from 10: 00 a. m. to 10: 00 p. m. seven days a week. The store has over 400 highly skilled and trained customer sales representatives.

## **STAR BAZAAR**

The uniqueness of each Star Bazaar store lies in the size and spread of its merchandise range. Shoppers can select from a large range of staples, fresh goods, apparel, luggage, consumer durables, household products and much more and also enjoy the benefit of generous reductions on the market rate.

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The stores stock goods according to regional customer preferences, as customers in different regions favour different essentials. For instance, in Gujarat, people tend to stock up on their pulses whereas in northern India, basmati rice is a big item.

Star Bazaar is aware that people today look at value as a critical component while shopping. And that the first visit may be put down to curiosity, but customers will keep coming back only if they are satisfied with the choices, the quality and the value of the products on sale. So the big focus is on understanding its customers – who they are, what they want, what is relevant to them, and how to package it in a manner that makes the store more attractive to them.

## **PRIMARY RESEARCH FINDINGS**

(All the information used below is taken from the quantitative and qualitative study done for this dissertation)

The figure shows the percentage of respondents ever visited one of these stores. 97% of the respondents said that they have visited Big Bazaar at least once, followed by reliance mart, Star Bazaar and Vishal mega mart in the respective order.

## **Factors leading to choice of a hypermarket store**

Quantitative research shows that the factors affecting the choice of hypermarket store can be broadly classified into three categories:

Category

Factors

Most important

Location

Variety

Discounts

Average importance

Brand name

Quick billing

Ease of finding product

Quality

Experience

Least important

Size of store

Assistance in shopping

## **Shopper Behaviour Trends**

### **Pre Planning of purchase**

From the research it is evident that majority of the shoppers prefer planning their purchase before going to shopping.

Research says almost two third (74%) of the respondents pre plan their purchase. This may include everything from the written plan to the mental plan the shopper has.

### **More expenditure than planned**

Even when a majority plans their purchase, most of the time shoppers end up spending more than planned in a hypermarket.

From the above graph it is evident that almost 60% spend more than planned almost every time they go out shopping in a hypermarket.

This extra amount can be attributed to the impulse purchase of the shoppers, which means that even when the shopper plans the purchase before entering a hypermarket they still end up purchasing products out of the list.

Relationship between preplanning of the purchases and actual impulse behaviour

The above figure shows how impulse purchase varies with pre planning of the purchase by the shopper in a hypermarket.

It shows some relation between the two:

Among the people who end up spending more every time, 61% are the ones who plan their purchase and rest 39% are the ones who don't plan.

Among the people who hardly ever spend more than planned, 86% plan their purchase and 14% do not plan.

Hence, pre planning of purchase can affect the overall impulse purchase but the impact is very less and consumer's planning of purchase don't really influence to their impulse behaviour.

It clearly suggests that a good number of purchase decisions are actually taken inside the store. Thus, opens a huge window of opportunity for marketers to influence their behaviour in favour of their product.

### **Mode of payment preferred**

The number of credit and debit card users in India is climbing fast, and rising affluence is likely to erode Indians' lingering reluctance to spend on credit.

Indians have traditionally valued thrift and frugality. But the spread of affluence in the wake of rapid economic growth is challenging these values, at least for many middle-class and high-income families. One sign of this is the phenomenal growth in the number of credit and debit cards in India-in the past three years, the number of credit cards has more than doubled and the number of debit cards has almost quadrupled.

It has been observed that the mode of payment can influence pain of payment. Since paying by the card will feel less painful than paying in cash, participants will spend more with card.

Similar trend is observed in the above pie chart, which says almost 60% of the shoppers today prefer using their credit/debit cards in place of cash.

Relationship between mode of payment and impulse purchase

From the above figure it is clear that people who end up spending more in form of impulse purchase are the ones who prefer card over cash. On the other hand people using cash hardly ever spend more than planned.

Thus, mode of payment can be very significant in influencing the purchase behaviour, especially impulse purchase, since the pain of spending is much less in card payment.

### **Purchase from attractive kiosk**

The above pie chart shows how product placement and point of purchase communication influence the shopper behaviour.

Retail Communication helps the retailers generate sales by using any one or a mix of these outputs and inform, persuade and remind customers about the retailer and its offers.

Stores use tools such as visual merchandising, signage and graphics, and other forms of point-of-purchase communication (PoP) to achieve an effective in-store strategy.

The consumer response from the above figure shows that 61% of the total respondents show an intention to purchase from an attractive kiosk for product launch or promotion.

The above graph shows the trend of actual purchase from such kiosks. It clearly suggests that shopper may try it at times but it depends on various factors such as (findings from depth interviews):

**Price** – When it comes to picking up product on impulse from a promotional kiosk, price matters a lot. People would not want to risk buying an expensive product, which they don't have a prior experience with. At low price the risk associated with the purchase gets reduced a lot and results in high trial rate.

**Category** – openness to new product depends a lot on the importance of that product in our daily lives. For example, women are very particular about the cosmetic products that they use and are not open to experiment much on the other hand product category like snacks and chocolates does not pose any such risk. Thus, product category also influence this impulse purchase behaviour.

**Brand** – Brand name brings with it trust and reliability, which reduces the risk associated with a product trial and shoppers are more open to buy such products. For example, Apple launches its new products and even before the reviews comes out, brand loyalist buys them, because of the trust Apple has built over the years.

**Packaging** – Visual appeal plays a very important role in differentiating the product from hundreds of other products kept in a hypermarket. Packaging

cannot just attract the customer but can also lead to final purchase because it is the first POP communication by the product. Brands like Parle Agro's Hippo took this insight and launched the product in almost all hypermarkets and have been very successful.

Discounts / offers – Most of the time trial can be triggered by offering discount or some promotional scheme. In this way marketers can reduce the risk by adding more value to their offering. Also, it catches eye and the psyche of Indian customer is such that it looks for higher value at lower cost. It also creates a sense of urgency because even when customer does not need the product he/she may buy thinking that the discount may or may not be available in future. This result in impulse purchase for the purpose to stock.

### **Purchase near billing area**

Billing counter is the most strategic location to trigger impulse buying behaviour in the shopper.

Few factors that affect are:

Time – Most of the times in Indian hypermarkets people have to stand in queues before billing, this extra bit of time is when they actually think of other things they wanted to buy but may have forgotten.

Presence of products around – Area near the billing counter is full of products that are high on impulse purchase. These products are not the low priced and mostly eatables. For example, chocolates, toffees, chewing gums, chips, etc. Presence of such products generally tempts the shopper to pick them.

The whole experience of shopping happening all around them leads to such behaviour.

Influence of other's purchase – There is a saying that grass on the other side is always green, which holds true with Indians, while shopping too. Every person carrying a product in its shopping cart is marketing for the product. We also tend to look at other people's shopping cart when we are waiting in the queue and that is the time when we recall most of the items that we need but forgot to buy. This is a major reason of impulse purchase in a hypermarket as compared to that of traditional retail format.

## **Fear of loss –**

### **Section wise unplanned visit**

The movement of the shopper inside a hypermarket is the most important thing to study for a marketer because it is very important for any manufacturer to place the product in such a way that it is visible enough to the shopper so that they can make up their mind and buy it.

Impulse purchase is hugely dependent on the way the shopper move inside the store.

From the research, the above graph shows what sections of the hypermarket witness highest unplanned visit. Most of the times shopper just walk through the section even when there is no intention of buying any product.

Looking broadly at the various sections the hypermarket is divided, I listed down the major ones. From the above figure it is clear that:



Highest unplanned visit happens in Snacks section that includes chips, biscuits, wafers, chocolates and other packaged snacks. Research shows 71% of the total respondents visit these sections even when they had no plan of buying anything from these sections initially.

This is because of the following reasons:

Price:

Temptation:

After snacks comes apparel and personal care section. Here

## **Category bought on impulse**

### **QUALITATIVE findings**

#### **Factors affecting the purchase behaviour and specifically impulse purchase in a hypermarket:**

##### **Time**

Hypermarket is a retail format which offers a wide variety of products and practically all the consumer needs can be met at that very place.

In such a situation it becomes important for them to spend time inside and take a look at every section of the hypermarket.

During the depth interviews, there has been a significant change in the shopper movement and behaviour when given a situation where they have some extra bit of time to spend in the store. For example, they were given a situation where they came for a movie but got tickets of the show that is 2 hours late. Now, they have these 2 hours and they enter a hypermarket

when they had no intention to visit the store initially. The response shows that now their movement would not be driven by the pre-planned intention but the choice they unconsciously make. Sections they prefer to visit now are the ones which will witness maximum impulse behaviour.

During the interviews it was evident that in such a situation maximum number of shoppers would want to visit the apparel and footwear section. Below table shows how the behaviour varies with different age groups.

This is an important indicator for marketers and retailers to generate impulse purchase by placing their products at the entry or exit of these category sections.

### **Disposable money (amount willing to spend on different categories)**

The amount a shopper is carrying is also a very significant factor that influences his/her movement inside the store and hence impulse purchase.

During the depth interviews, the respondents were given a situation where they were asked to imagine a situation where they are having some extra money and they won't mind spending it that day's shopping. There was again a significant change in the behaviour in this situation as this extra amount psychologically gives them the freedom to wander in sections that earlier they avoided because of lack of money, not lack of interest or time.

This behaviour is again important for marketers and retailers to generate impulse purchase by placing their products at the entry or exit of these

category sections. In this case, there is a higher chance of impulse behaviour due to availability of extra cash and high intention of purchase.

## **Payment mode**

Mode of payment is also a very important factor which came into light by observing shoppers at the store and depth interviews.

To conduct this study I traced shopper movement inside the store and their purchase trends. It was evident that people end up spending more when they don't pay in cash because the pain of payment is very low in card as compared to that of cash.

## **In store design**

**Billing Counter** – From the above research it is quite evident that products kept near billing counter have a high probability to stimulate impulse buying behaviour. Various factors like time of queue, access to others shopping cart and the mental satisfaction of buying products contributes to this behaviour. It is designed in such a manner that while waiting in the queue you cannot avoid the sight of the products. Most of the times the products found are low priced and discounted like chewing gums, chocolates, chips, soft toys etc.

**Shelf placement** –

**Shopper movement** –

**Entrance** –

**Exit** –

## **Shopping frequency and impulse**

The above graph explains the relation between shopping frequency and impulse purchase behaviour. Generally, people going for shopping everyday do not spend more than planned. It is evident from the higher number of respondents in the last three categories of everyday shoppers. On the other hand people going shopping less often tends to spend more than planned most of the time which is clear from the fact that first three categories are high on once in 3 months purchasers.

## **Recommendations**

### **Promoting impulse buying behaviour**

Businesses who wish to promote their products and focus on impulse buying should create an environment where shoppers can be comforted and relieved of their negative perceptions of impulse. They should focus on the relative reasoning of impulse buying in their marketing efforts. Similarly, they should also focus on the non-economic rewards of impulse buying.

Additionally, businesses can make the environment more complex, further straining consumers' abilities to process information accurately. Such techniques as stocking more merchandise, creating stimulating atmospherics, and increasing information may be useful to stimulate impulse buying. Businesses have to make impulse purchasing more risk-free, through convenient return policies, or increase enablers such as credit and store hours. Importantly, this model also offers options for consumers to control their buying impulses, if they choose to, or feel better about their impulse buying, by relieving their negative evaluations of impulse.

## **How to promote impulsive buying**

Emphasise needs versus wants

Highlight that it will not impact on their shopping budgets over time

Create a store environment which dazzles them and where they lose control

Provide flexible payment methods. Some people have less cash in your wallet and sometimes leave credit cards at home

Avoid making the customer wait 24 hours before making an unplanned purchase

Demonstrate that this deal/offer will not last tomorrow before they realize that such deals occur on a regular basis

Stress on the emotional aspect of owning the product.

Good amount of effort should be put into messages which should make consumers recognize that buying on impulse is not bad. Once consumers recognize that products are more than commodities and that they are buying to please their desires, they will feel more comfortable with the impulse buying decision.

## **Product trial**

There is a wide gap between the points where the product visual generates the stimulus to final purchase. To minimize this gap and to convert all stimuli into action product trial can prove very effective. This helps customers check the quality of the product and its utility, such an experience can reinforce the buying impulse and the need to buy starts dominating.

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## **Some well known things about impulse buying**

Traditionally impulse buying is defined as “ Unplanned buying refers to all purchases made without such advance planning and includes impulse buying, which is distinguished by the relative speed with which buying “ decisions” occur. Impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy something immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict. Also, impulse buying is prone to occur with diminished regard for its consequences.”

## **Why people buy impulsively?**

Some say that it acts as a stress reliever

Perceive it as the best buy of that time

People are captivated as an audience

Consumers have extra money in their budget

## **These are some of the characteristics of impulsive buying**

Unplanned, Spontaneous and intense urge to buy the purchaser often ignoring the consequences

Without much prior knowledge of the product or intention to buy

A kind of emotional and irrational purchase often for reasons like fun, fantasy and social and economic pleasure

Consumer often regret their purchase after purchasing

## **Internal factors affecting impulsive buying**

Depends on the mood of the individual, positive mood triggers impulsive buying

Impulsive buying is more a need than a want

Potential entertainment and emotional worth of shopping

Cognitive/affective

## **External factors affecting impulsive buying**

Windows display

Visual merchandising

In-store form display

Promotional signage

Word of mouth messages

E-commerce

## **Impact of impulsive buying on the consumer**

Disturbs the overall financial budget

Often gives product dissatisfaction and less alternatives are considered

People who go for impulsive buying often have post purchase regret

Irrational decision making being more emotional

[http://www. focus. com/briefs/marketing/impulse-buying-boosting-your-bottom-line/](http://www.focus.com/briefs/marketing/impulse-buying-boosting-your-bottom-line/)

## **Limitations**

People in the city are not used to research hence they were not very responsive or had less idea on how to answer certain questions.

As a student, I had limited amount of resources (money, time, contacts etc) to spend on this research.

This research has been conducted in two hypermarkets (Reliance mart and star bazaar), the research findings cannot be extended to all hypermarkets in India. This restricts the scope of applying the findings.

There are various psychological factors driving impulse behaviour which cannot be covered in this study due to knowledge limitation. Hence the findings cannot be extended to these areas.