

UNDERSTANDING THE CUSTOMERS' MINDSET IN TERMS OF PURPOSE AND THE SIZE OF THE PURSE, AND SERVING THEM ACCORDINGLY IS THE KEY TO SUCCESSFUL RETAILING

# The Purse- and Purpose-Centric Retail Approach

by Harminder Sahni

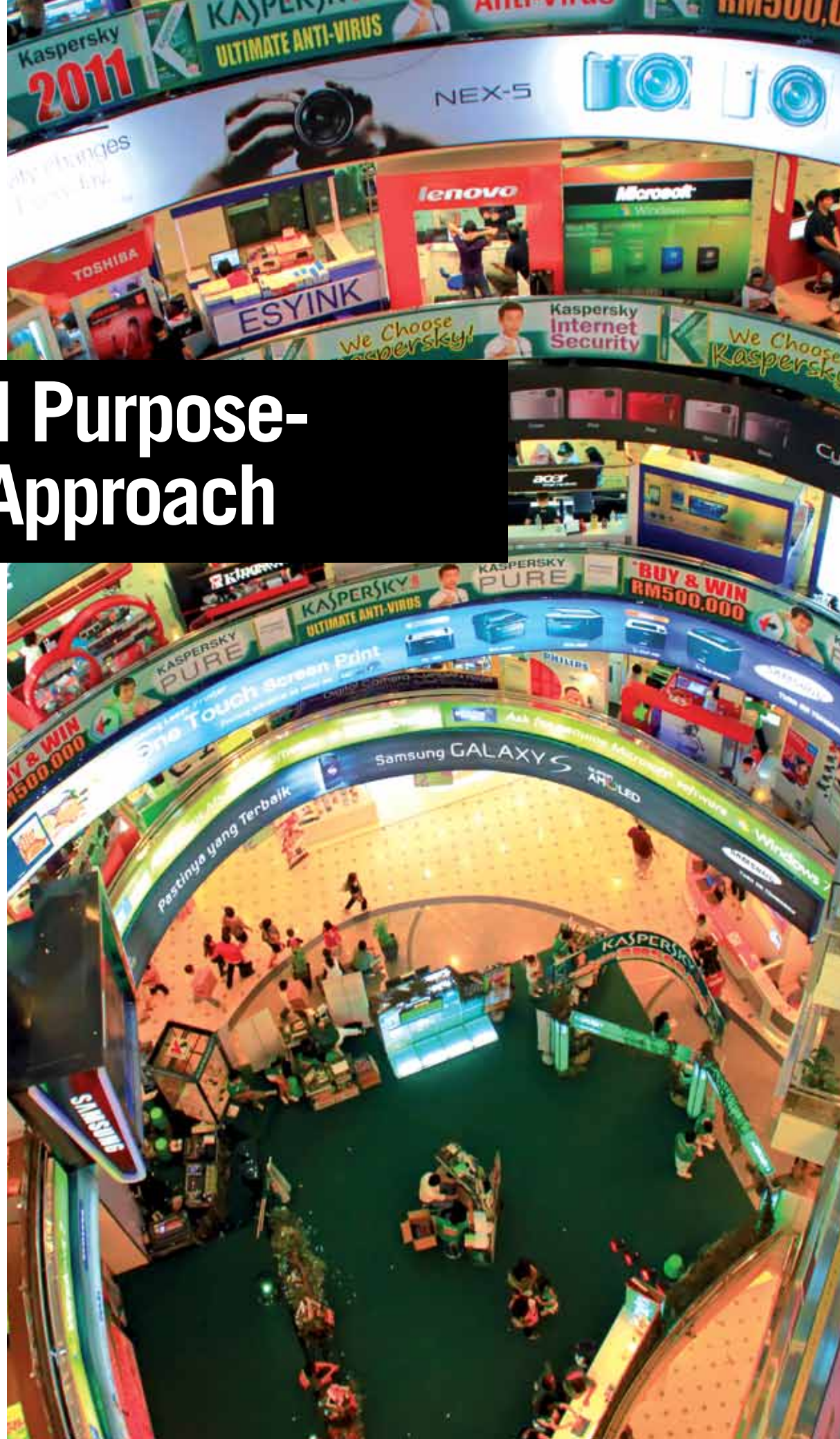
→ Market and consumer segmentation is as clichéd a management concept as it can get, but I find it one of the most simplistic approaches to address even the most complex matters related to a diverse market place like India. Segmentation is extremely important but the continuously evolving nature of the Indian consumer market makes it mandatory for marketers to revisit their segmentation models on a regular basis to stay relevant in the market.

In mature markets like US and Japan, consumer segments are clearly defined and, while the number of people moving in and out of these segments change their size and scale, the definition, more or less, remain the same. It allows brands and retailers to plan their strategies over a longer time horizon and they are also able to predict their business performances quite accurately. However, in a market like India where the consumer and market segmentation is still at a nascent stage, the task of developing a consumer-

centric business strategy is quite difficult. To illustrate the point, we are still not sure of the segmentation of major Indian cities. While it is accepted that Delhi, Mumbai, Kolkata and Chennai are the four metros, many professionals and companies choose to consider Bangalore as a metro and may want to leave out Kolkata.

The situation gets even more confusing when we go deeper down to the C and D class towns. By the time we start talking about consumer segmentation, the most widely used SEC classification has become the norm and we all know how broad that classification is for it to come up with any coherent business strategy.

Here, I would like to suggest an approach that may be worth considering by the retailers for addressing the Indian market. It is called the "Purse and Purpose Centric" approach. As the name suggests, the "purse" represents affordability and "purpose" represents the needs and wants of a consumer. While there



could be many other elements that can be considered for figuring out the complex equation on the basis of which consumers make a decision to spend on a particular brand or in a particular mall/market, I have chosen to focus on this approach to arrive at a practical model.

Let me explain. A consumer has a definite amount of money that he/she can spend on a product. Be it a millionaire or a daily wage earner, the rule of having limited amount of money to spend applies to everyone. However, the liner relationship between income and the amount of money that a consumer will spend on a particular item does not give the right picture. For consumers, every purchase is not only a rational but also an experiential decision. Otherwise, why will a consumer buy the same item of the same brand for full price when they can buy it at half the price a few weeks later during off-season sales? The timing, the price, the place and the quantum of a purchase are not always dependent on only the purse but carry an equal weightage of purpose as well.

Another example is that why do consumers buy a particularly expensive shirt brand while buying for gifting, in contrast to buying a lesser brand while shopping for self use? Or even buying the same brand from a particular department store rather than buying it from any other MBO? The reason probably lies in their need to enjoy the experience of shopping at a certain premium store. Or maybe by association with a brand, they wish to establish a certain price point in the mind of the person receiving the gift. There can be many innovative brand positioning ideas that can be generated through study and analysis of such a behavior.

Brands like Raymond's sell in huge volumes during wedding seasons even in poor states because the purse loses relevance over purpose of shopping at that point in time. At a Raymond store, you may find customers shopping for the groom asking the salesman to show them even more expensive range of clothing.

Now, let us apply the same equation

of purse and purpose to shopping and see what could be the possible strategies or models to develop alternative and innovative strategies for malls and retailers inside these.

Shopping for different individuals can mean different things. It can also mean different things to the same person in different circumstances. Until recently, the necessary and sometimes sufficient condition for shopping was visiting a market place. Malls are the modern market places. But it is seen that a visit to the malls, much to the chagrin of retailers present in them, more often than not does not translate into shopping. A large percentage of mall visitors are not shoppers, at least not necessarily during all their visits.

Indians are proven group shoppers – be it with family members or with friends – and now malls have taken the group shopping phenomenon to new heights. Not all members in a shopping group may be interested in shopping but all of them could be excited to be present in a mall along with other group members. For a mall manager, the objective is to ensure that there is enough excitement for all such group members to say yes to visiting the mall as compared to the one either next door or on the other side of town and in some cases even in the neighboring city.

The combination of shopping, food and entertainment is by now a well-established formula for the malls, even in India. However, with deeper and finer segmentation of the market, it is becoming very critical to choose the right combination of all these three elements to sync with each other and with the target customer.



Keeping the purse and purpose model in mind, a mall can have premium positioning of its stores for shopping but retain very affordable food options to serve the consumers whose purpose of shopping may be more important and their purse may open wider, but who for food may still not ignore the size of their purse. In the overall consideration, the mall may fall short of qualifying as the destination of choice for such consumers.

In Chennai, big traditional stores that sell a large number of items to consumers from rural areas offer all price points for different purpose and purses but the food canteen, at



**TRADITIONAL DOMESTIC RETAILERS HAVE ALWAYS APPLIED THE PURSE-AND-PURPOSE MODEL BY ASKING THE CUSTOMER THE PURPOSE OF HIS PURCHASE AND THE BUDGET TO BE SPENT ON IT. IF THE CONSUMER IS SHOPPING FOR GIFTING, A DIFFERENT SET OF ITEMS IS SHOWN IN COMPARISON TO SHOPPING FOR SELF-USE.**

in other sectors, the same consumer is not enthusiastic about the brands in this category. The reason could be the lack of visibility of home improvement products to the visitors at home and hence the absence of brand consciousness. On the other hand, brands in the woman's handbag category are far more important due to high visibility in the peer group. Hence the same customer does not mind spending extra on a handbag.

For retailers, the model of purse and purpose can also be applied while deciding on the private label strategy. The selection of private label categories can be done much more scientifically to ensure the success of the category. For example, the purpose of hand-wash in a bathroom at home is to wash germs off hands. While most of the housewives start with Dettol, for refill purposes many trade down on a lesser known and cheaper brand such as Fem. They buy bulk packs of Fem to refill Dettol dispensers! Such a category is amply suitable for private labeling. Aldi in Germany has mastered the art of selecting categories where the purpose is functional and purse is tight. It has built a €50 bn retail business with more than 90 percent private label brands. Not only that, Aldi has more than 50 percent market share in Germany even in a fairly high involvement category like the sunscreen. The consumption of sunscreens in summers is quite high and the premium being charged by leading brands was putting pressure on consumers' purse. Aldi saw this imbalance in the purse-and-purpose equation and captured the majority of market-share. Indian market offers a large number of such opportunities and is waiting for pragmatic players to come up with products, brands and retail formats that create a harmonious equation of purse and purpose. ❏



the store, offers food at affordable prices and all shoppers definitely pay it a visit. According to one of our researches, many consumers cited good food at reasonable prices as a reason to shop at a particular store. In international context, IKEA came up with the concept of in-store cafés to attract consumers to their out-of-town large stores and offered good food at low prices to keep them in stores longer. These consumers, whether in India or overseas, are happy to spend large amounts on shopping at a particular store, but they still base their choice of a store on a seemingly unrelated element. Hence, the mall developers and managers will be well served to keep such nuances in mind while designing and managing a mall to match their customers' obvious and not-so-obvious purpose and the

elasticity of their purse.

Traditional domestic retailers have always applied this purse-and-purpose model by asking the customer the purpose of his purchase and the budget to be spent. If the consumer is shopping for gifting, a different set of items is shown to him in comparison to when shopping for self-use. Even in case of the latter, whether the item is for daily use or for some occasion will decide what is pulled out of the shelf. Brands such as Nalli have their trained staff to ascertain the purse and purpose of the consumer.

Consumers trade up and down across consumption items depending on the nature of purpose. The home decor and improvement market in India is a price sensitive and hugely unbranded market. Even with the success of a large number of brands

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