
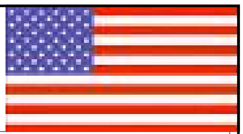

Buyer Behavior: Hedonic Shopping Preferences

USA, Hungary, Croatia and Serbia

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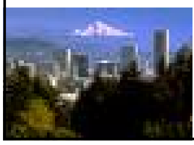


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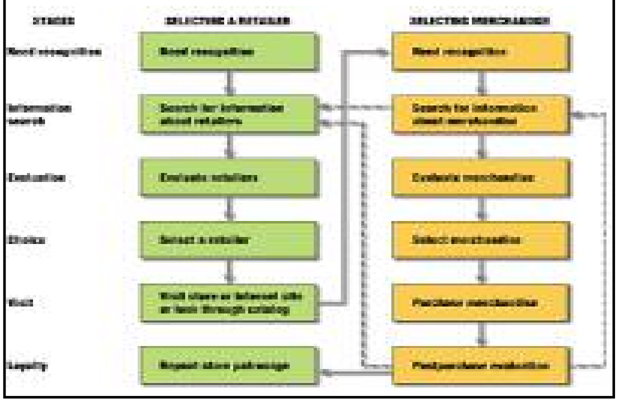
www.foodleadership.pdx.edu
Subotica--Novi Sad

Understanding Shopper Behavior

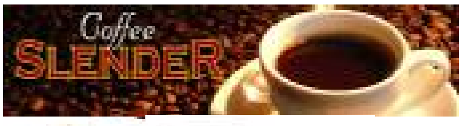
- Homogeneity vs. Diversity of tastes
- How do people buy?
- Where do they shop? Who shop
- What do they buy?
- When do they eat?
- Why do they buy?


Stages in the Buying Process



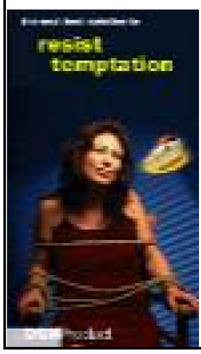
Types of Needs

- Utilitarian Needs –satisfied when purchases accomplish a specific task. Shopping needs to be easy and effortless like Sam's or a grocery store.
- Hedonic needs – satisfied when purchases accomplish a need for entertainment, emotional and recreational experience as in department stores or specialty stores.



Svetol® Coffee bean extract from

Reduces carbohydrate absorption from foods



Fabuless™ is an all-natural, patent-protected emulsion of palm and oat oils for use in dairy products. It triggers the natural appetite control mechanism. By delaying the hunger signals that would normally be sent hours after a meal, consumers feel more satisfied than they would have been and eat less.

Limagrain launches 'world's first' instant waxy wheat flour

Limagrain

WestHove

R&D Partners

CSIRO

"Using WestHove wheat WI means manufacturers can cut cream or butter by over half, and retain a rich creamy texture. The result – healthier final product and the ingredient cost can be reduced by up to 25 per cent."

Enviga, a very new name for Coca Cola's new calorie-burning, carbonated green tea drink

Beauty is Skin Deep: Top Ten Beauty Foods

1. **Strawberries**	- ***antioxidants*** counters ageing
2. **Blueberries**	- ***anthocyanins*** improve nutrient delivery to the skin
3. **Salmon/Eggs**	- ***omega-3*** good for the heart and reduces wrinkles
4. **Brazil nuts**	- ***selenium*** for enzymes that soak up free radicals
5. **Chicken**	- ***protein*** for collagen for supple skin
6. **Steak**	- ***iron*** promotes hair growth
7. **Oranges**	- ***vitamin C*** good for youthful skin
8. **Carrots**	- ***beta-carotene*** reflects UV rays to save skin
9. **Oatmeal**	- ***silicon*** for healthy skin, hair and nails
10. **Low fat yoghurt**	- ***calcium*** for teeth and bones

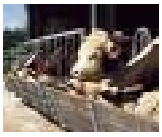
Source: Sunday Times Style Magazine, December 2004

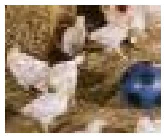
Satisfied Hedonic Needs

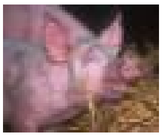
- Stimulation
- Social experience
- Learn new trends and fashions
- Satisfy need for power and status
- Self-rewards
- Adventure

What Do Consumers Want from Their Food and Drink Products Apart from Low Prices?

- Environmentally friendly
  - organic
  - global warming impact
  - reduced food miles
- Sustainability (“Schlosser effect”)
  - impact on biodiversity
  - small-scale farmer friendly
- GMO status
- Animal welfare-friendly
- Fairtrade
  - treatment of suppliers/workers







Industry Perception* of Consumer Concerns re. Selected Credence Attributes of Food

	Green Food	**Animal Welfare**	**Ethical Food**
	Percent very highly/highly concerned		
Japan	9	0	68
USA	20	18	18
China	43	5	57
U.K.	25	37	25
N. Europe	35	33	7
India	0	9	0

* As perceived by supply chain members, NGO's, government agencies, etc.

Clean and Green Country? Please Form a Line!

- Ireland
- New Zealand
- Canada
- Chile
- Australia
- Denmark
- Sweden
- Argentina
- Wal*Mart

Consumer Concerns about Food Production Practices: Implications for the Industry

- consumer shaking hands with citizen – which markets, time horizon, issues?
- special interest group pressures inexorably increase (remember LBJ)
- awareness of climate change issues heightens consumer concerns
- some governments (e.g. UK) intent on raising the bar on environmental sustainability
- European farmers lobby for "level playing field" on CAP-driven environmental production practices
- leading edge retailers (Whole Foods, M&S) seek competitive advantage from "green" positioning

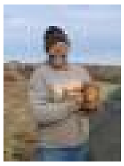
Consumer Concerns about Food Production Practices: Implications for the Industry

- for mainline manufacturers: CSR moves up agenda; need to respond aggressively against "fresh is best", "processed not natural"
- genuine cost savings from changing traditional production practices
- organic market potential? Constrained by the "greening" of conventional
- GMO developments?: European concerns reducing; still no clear consumer benefits; energy crops will accelerate acceptance; environmental case strengthens (e.g. drought tolerance)
- for principal firms: industry and brand leadership position brings responsibility – not acceptable to be "No. 2 in food chain integrity".

SYSCO

Number ! In USA food distribution

Eat well. Save the Earth… and the small farms on it!



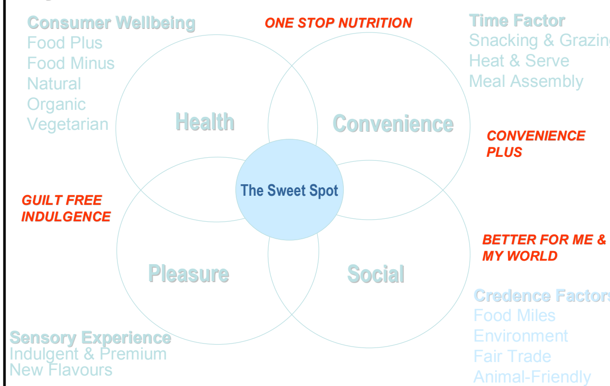
Dan farms the hilly soils of north eastern Iowa. His farm is an excellent habitat for grassland birds that are declining across much of their former range due to intensive, irresponsible modern farming practices.

Bill, his wife Mary, and son Jeff raise organic certified cattle in Lenox, IA. Bill is a member of B&B Partnership with another organic farmer.

How Tesco Segments its Customers

Source: Tesco
** 84% shoppers buy Value lines*
64% shoppers buy both Value and Finest

Key Consumer Trends



Source: Datamonitor

Migration to the Poles

Global	Local
High Tech	High Touch
New and Improved	Traditional
Ready-to-Eat	Natural/Unprocessed
Fast Food	Slow Food
Fuel Food	Story Food
Just Me	Friends/Family
Low Price	Premium Price
Good For You	Naughty but Nice
All Year	Seasonal
Large-Scale	Craft-scale
Open Supply Chain	Closed Supply Chain

The Servicescape Model

Environmental **Moderators** **Internal Responses** **Behavior**

- Temperature
- Air quality
- Noise
- Music
- Scent

Space/function
- Layout
- Equipment
- Furnishings

Signs,Symbols
- Signage
- Personal Artifacts
- Style of decor

Perceived servicescape

Employee Response moderator

Customer Response moderator

Employee Responses

Customer Responses

Cognitive
Beliefs
Categorization
Symbolic Meaning

Emotional
Feelings
Moods
Attitudes

Psychological
Pain
Comfort
Movement
Physical fit

Approach
Exploration
Stay longer
Satisfaction

Social interaction w/ employees And customers

Attraction
Stay/explore
Spend more $$$
Satisfaction

Avoid

Crafting the Service Environment

- The Russell Model of Effect

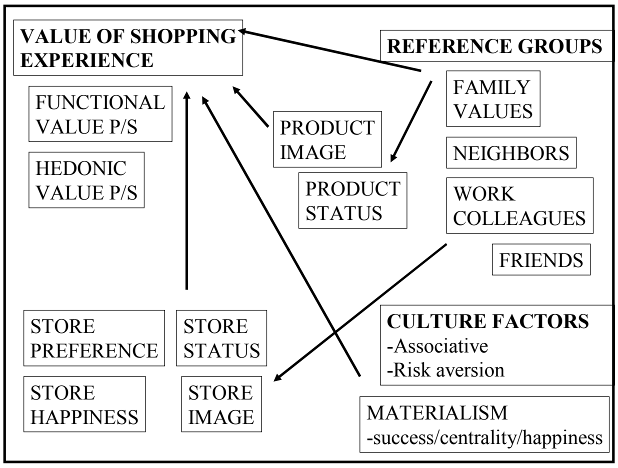
Arousing

Unpleasant **Pleasant**

Sleepy

Hedonic Study

- Products
  - Coffee
  - Detergent
  - Orange Juice (OJ)
  - Shampoo
  - Mobile phone
  - Wrist watch
- Stores
  - Supermarket
  - Hypermarket
  - Department
  - Specialty
  - “Mom & Pop”



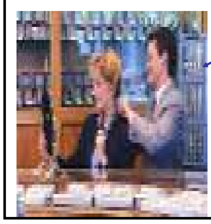
Dimensions of Service Environment

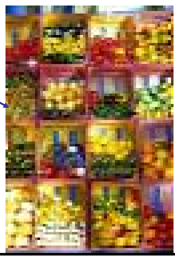
- Music
- Scent
- Color
- Spatial layout and function
- Signs, symbols and artifacts
- People

Store Design

The primary objective of store design is implementing the retailer's strategy

Meets needs of target market
Builds a sustainable competitive advantage
Displays the store's image





Who Are The Global Retailers?

Rank	Retailer	Base	Global Status
1	Carrefour	France	*Leading global retailers*
2	Wal*Mart	USA	
3	Tesco	UK	
4	Ahold	Neths	*Leading international retailers*
5	Metro Group	German	
6	Auchan	France	
7	Groupe Casino	France	
8	Ito-Yokado	Japan	
9	Aldi	German	
10	Delhaize	Belgium	
11	Costco	USA	

Source: IGD, 2005

What's the Story on Global Retailing?

1. Global players few and far between. Match strategic services to customers. Global/regional sourcing emerges as commercial reality
2. Further consolidation. Picking long-term winners
3. Slow growth in developed grocery markets
4. Asia emerges – slow, but requires specific and substantial resources. When and how in China and India?
5. Discounters rule, not least in emerging markets
6. Not just EDLP, but EDLC (efficiency and cost

Tesco Pointers for Success in International Retailing

- Tesco present in 12 markets outside UK
- Success factors include:
  - Flexibility as entry strategy to each market can be different
    - j v • start-up •Buy existing player
  - Need to be local in each market (e.g. link /simulate wet markets in Asia)
  - Multi-format approach (9 out of 12 markets multi-formatted)
  - Focus: exclusive management team per country
  - Develop local capability re. people, processes and systems
  - Building the brand (high quality private label)
  - No.1 or 2 in each market
  - Move best practice/learning's rapidly across globe


Sainsbury's Local
WHSmith
WHSmith
TESCO


FOODS MARKET

fresh & easy
Neighborhood Market

Where's the Growth in Europe?

- *Hard discounters* – in Germany, France, Netherlands, Spain, Italy, Belgium;
  Soft discounters – in UK (Tesco, Asda, Morrison's)
- Convenience stores across the board
- UK hypermarkets (Tesco, Asda)
- Fresh/frozen prepared and private label
- Local, regional, seasonal, traditional, premium

Seven Major Shopper Segments in Europe

The End

Крај