

CHAPTER TWO

REVIEW OF LITERATURE

This chapter reviews the literature in five main areas along with a summary: (1) retailing, (2) consumer buying behavior, (3) the marketing mix, (4) relevant studies, and (5) summary.

2.1 THE CONCEPT OF RETAILING

Kotler and Keller (2006, p. 466) mentioned that a retailer is any business enterprise whose sales volume comes primarily from retailing. In addition, department stores, discount stores, supermarkets and convenience stores are examples of retailers (Pride, Elliot, Waller, Rundle-Thiele & Paladino, 2006). Pride et al., (2006, p. 356) also mentioned that a convenience store is a small store in a convenient location, with long opening hours and offering frequently purchased items. The positioning of retailers can offer one of four levels of service. The four levels are self-service, self-selection, limited service and full service. According to the attributes affecting retail outlet selection (Hawkins, Best and Coney, 1998), there are several criteria for customer to choose a retail store. The perception of store image and store brand are important factors that retailers try to formulate to meet the customers' belief. The location is another factor that has an important role. If everything is almost the same, the consumer tends to choose the nearest place. In addition, Kotler and Keller (2006, p. 478) also described that retailers are accustomed to saying that the three keys to success are "location, location, and location." The central business districts which have the most traffic areas with many stores and offices, thus retail stores are located in these areas.

2.2 RETAILING IN THAILAND

According to Freeny, Theera Vongpatanasin, and Arphaporn Soonsatham (1996), who studied Retail in Thailand, stated that the development of the retailing industry in Thailand started from the traditional Thai retail store. This kind of store takes the form of a shop-house and is a family business; the ground floor is used as a store to sell all sorts of products needed for everyday use, such as groceries and other foods, garments, hardware and building materials and so on, while the shop owners and their family occupy the upper floors. Shop-houses are scattered around every community throughout

Thailand as well as many other parts of Asia, and are still the most common form of store, even in Bangkok.

In the late 1980s, the prosperous economy in Thailand which was regarded as the fastest-growing economy in the world, both convenience stores and discount stores came to Thailand. The first unsuccessful brand of convenience stores arrived in Thailand in the mid-1980s because Thai habits and pockets had not yet adjusted sufficiently beyond shop-houses, and disposable income levels still fell short of the critical take-off point. Eventually, the external factors such as investment, economic growth, globalization and influx of the western lifestyle drove the brand 7-Eleven to open the first shop in 1989. 7-Eleven stores, which are 24-hour convenience stores, are located in all places such as near bus stops, in petrol stations and on many street corners. In addition, purchasing power, population density, competition and infrastructure are the major indicators of Thai retailers to expand new outlets (Freeny et al., 1996)

2.3 THE CONCEPT OF CONSUMER BUYING BEHAVIOR

Hawkins et al., (1998) explained that consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Brown (2008) stated that Buying Behavior is the decision processes and acts of people involved in buying and using products. Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. Thus a firm needs to analyze buying behavior to understand buyers' reactions to a firm's marketing strategy. In addition, the company needs to analyze what, where, when and how consumers buy. Brown (2008) also mentioned that there are four types of consumer buying behavior.

- Routine Response/Programmed Behavior--buying low involvement frequently purchased low cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, snack foods, milk etc.
- Limited Decision Making--buying product occasionally. When you need to obtain information about an unfamiliar brand in a familiar product category, perhaps. Requires a moderate amount of time for information gathering. Examples include Clothes--know product class but not the brand.

- Extensive Decision Making/Complex high involvement, unfamiliar, expensive and/or infrequently bought products. High degree of economic/ performance/ psychological risk. Examples include cars, homes, computers, education. Spend a lot of time seeking information and deciding. Search information from the companies, friends and relatives, store personnel etc. Go through all six stages of the buying process.
- Impulse buying, no conscious planning.

The consumer buying decision process is the relevant theory that can help to study the buying behavior in this case. Firstly, the possible influences on the decision process are the major drive of the consumer buying decision process. There are three influences on the decision process which let the consumer go through the five stages of consumer buying decision process. The first influence is situational influences such as physical surroundings, social surroundings, time and purchasing reasons. Psychological influences which are perception, motives, lifestyles and attitudes etc. are the second factor that can influence the decision process. The third factor is social influences, for example roles, family, social classes and culture (Pride et al., 2006).

Figure 1. Possible Influences on the Decision Process

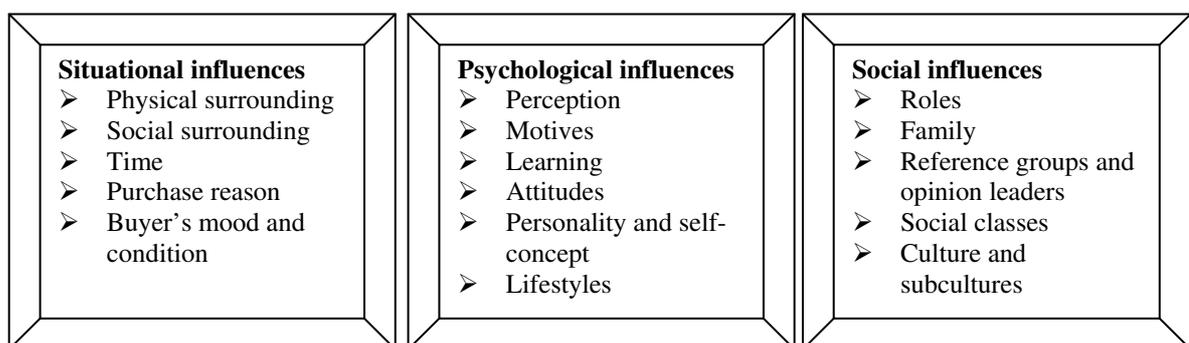
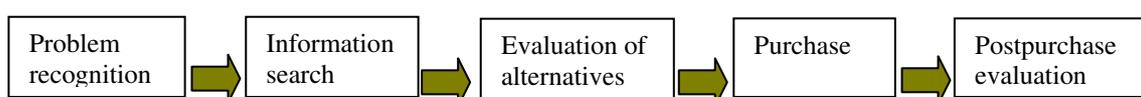


Figure 2. Consumer Buying Decision Process



The five stages model of the buying decision process is the necessary model which can access the reason for purchasing. The first stage is problem recognition in which customers know what they need and want. Both internal and external factors can encourage customer desires. The internal factors come by themselves such as hunger, thirst, tiredness or rest. Sometimes, their friends, families, actors or actresses who are the external factors may arouse them to buy goods or services. Thus, marketers should recognize the customers' needs and then use the marketing tools to drive their interest. The information search is the second stage of the consumer purchasing process. When consumers have been stimulated by inside or outside influences, they will look for more information about products or services. There are four information sources that can affect purchase. Families, friends or neighbors are the personal sources while commercial sources are advertising, sales persons, and packaging. The other two types of information come from the public. They are mass media and the experience of using the product which is the experiential source. When the customers collect the information, then they will consider which one can meet their needs. So the company has to understand the consumers' information sources and judge the most important source that can influence their consideration. Eventually, the company will select the appropriate communication tools to target customers. The next step is an evaluation of alternatives which has three basic concepts to know consumer evaluation thinking. First, the products or services should meet a need. A benefit search for their solutions is the second concept. Finally, a number of quality or various benefits are the criteria that consumers need. Then, the purchase decisions are the next process of the buying decision which has two intervening factors. The attitude of others is the first issue that can change the customers' purchase intention. If the other person who is closer to the customers has a negative attitude toward their choices, the customers may tend to alter their buying decision. The final step in the buying decision is postpurchase behavior. When the customers have already bought products or services, they experience them. The company should discover their satisfaction and dissatisfaction because this will affect any repurchase. After that, the company should know the product's use and disposal. The company can determine the frequency of product use and find methods to increase consumption and purchase (Kotler & Keller, 2006).

2.4 THE CONCEPT OF MARKETING MIX

A company must give target customers more value than is provided by its competitors in order to survive in a competitive market. Hawkins et al., (1998) mentioned that customer value is the difference between all the benefits derived from a total product and all the costs of acquiring those benefits. Thus the marketer has to devise marketing activities and integrated marketing programs to create, communicate, and deliver value to consumers. Marketing activities is in terms of marketing mix, which is known as marketing tools to deliver a customer benefit. Marketing mix, which is also called the four Ps of marketing, is comprised of product, price, place(distribution channel) and promotion(communications mix) (Kotler & Keller, 2006).

Kotler & Keller (2006) explained that product is anything that can be offered to a market to satisfy a want or need. Products include physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas. The amount of money that people pay to obtain the right to use the product is price. Place or distribution channel is the place where products are available and where target customers can buy it (Hawkins et al., 1998). Finally, promotion or communications mix is the means which a company uses to inform, persuade, and remind customers both directly and indirectly about products and services that the company sells (Kotler & Keller, 2006).

2.5 RELEVANT RESEARCH

Based on the findings of Pramod Rodjamrat (ปราโมชน์ รอดจำรัส, 2540) who studied The Buying Behaviour of Consumers Towards the 7-eleven Enterprise in Bangkok Metropolitan, the results indicated that 67.60% of respondents know the convenience store because it is near their houses or work places. 60% of respondents come to convenience store occasionally(less than 5 times per week). 7-Eleven is the convenience store where respondents come regularly. Beverages are the most popular products which respondents, buy most frequently at 7-Eleven stores. The most frequent time that respondents come to 7-Eleven stores is between 6.00 – 10.00 p.m.(43.10%). Supalerk Thanasan (ศุภฤกษ์ ณะสาร, 2547) studied Purchasing behavior towards ready to drink green tea of consumers in Mueang District, Chiang Mai Province and stated that a convenience store such as 7-Eleven is the channel where respondents most often buy green tea.

In addition, Varaporn Traitodsaporn (วราพร ไตรทศพร, 2550) also studied Consumer Behavior and the Purchase of Goods from Retail Stores in Bangkok Metropolis. The result of the study indicated that the evening is the most frequent time that respondents come to shop at retail stores. However, Tesco Lotus is the most popular retail store where respondents come to buy at 29.8%. The second place is 7-Eleven store at 26%.

Parichart Juwattanasamran (ปาริชาติ จูวัฒนสำราญ, 2549) also studied a comparative study of buying decision behavior between convenience stores and traditional retail stores in KhonKaen municipality. The results indicated that the average purchasing time in convenience stores is 14.07 times per month which is more than the traditional trade (8.64 times per month).