

# Shopper Segmentation Using Multivariate Risk Analysis for Innovative Marketing Strategies

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## ABSTRACT

Shopper buying behaviour is essential for the retailers to segment the shoppers in accordance to their disruptive attitude and perception for better innovative strategies which may lead to higher profits. The major purpose of this study is to categorize the shoppers into distinct groups based on their risk-based perception for the organized retail outlets in Bangladesh. Seven hundred eighty-five respondents were responding on 21 variables related to store which influence their buying behaviour. In the present study, the shoppers were classified into three segments such as value seekers and disruptive to please shoppers, quality and style-driven shoppers, sensory-driven, and not interested shoppers by using innovative k-means cluster analysis. The results of the study help to retailers in understanding the various disruptive segments of shoppers in relation to their importance for store attributes affected by their demographic characteristics and guide the retailers to take necessary actions regard redesign of retail mix to provide innovative value to the shoppers.

## KEYWORDS

Behaviour, Innovate Marketing Strategies, Organized Retailing, Segmentation, Shoppers, Store Attributes

## INTRODUCTION

According to Bangladesh Bureau of Statistics, the Bangladesh Retail Industry has emerged as one of the dynamic and fast-paced industries due to the entry of several fresh players. It accounts for over 7.3 percent of the country's Gross Domestic Product (GDP) and around 8 percent of the employment. Bangladesh is the world's 15th largest global destination in the retail landscape. Bangladesh's retail market expected to grow nearly double to US\$ 35.6 billion by 2021 from US\$ 8.8 billion in 2015 driven by income growth, urbanization and attitudinal shifts. The Bangladesh retail market categorized into organized(modern) and unorganized (traditional) retail market and the total market is expected to grow at 12 percent per annum by 2020. In the Bangladesh retail market, the large portion of the market dominated by unorganized as Kirana stores (mom-and-pop stores)over organized retail market, but

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modern retail penetration would expand slowly at 1 percent compare to traditional retail penetration per annum.. The government has started more FDI in food retail and textile sector and positive thing is that the government has initiated improved methods to attract it in all sectors. GDP growth, improved ease of doing business, and better clarity regarding foreign direct investment regulations puts Bangladesh in second place. Bangladesh remains a challenging and complex market for foreign retailers, where understanding dynamics of 29 states are important due to states have historically had the power to opt in or out of FDI reforms (Kearney, A.T, 2016).

Domestic and foreign retail players have been showing tremendous growth rate since last decade and these players are offering more benefits to people across Bangladesh. At the same time, the people are gradually changing their mindsets towards more quality conscious and preferring shopping in a better environment (Goswami & Mishra, 2008). Hence, this gives rise to new areas of study in retailing like ‘Shopper Buying Behaviour’, the retailers can use it for making shopper targeting strategy. The Shopper is an individual who visits the retail outlet to purchase merchandise unlike the consumer who uses the product. Many researchers have studied the consumer buying behaviour, but shopper behaviour is still a less explored area. Shopper plays a critical role in retailing while developing a target market strategy.

Establishment of a retail outlet involves huge investment, mostly on fixed assets like land and buildings, fixtures and fitting etc. Specifically store design cost is high in retailing and for retailers to get more returns they should use the space available optimally. This could be achieved by understanding the shopper attitudes and perceptions. Normally, many people they visit the store and come out of the store without making any purchase, thus it is essential for the retailers to convert these visitors into potential buyers. Retailers have adopted various strategies like improvement in store merchandise, ambience, facilities and other attributes to influence the buying behaviour of the shoppers including visitors. Apart from this it is also essential for the retailers to segment the shoppers in accordance to their attitude and perception for better strategies which may lead to higher profits. The major purpose of this study to categorize the shoppers into distinct groups based on their perception of organized retail outlets in Bangladesh.

Therefore, the objectives of the paper are to understand shopper segmentation and relative importance of several factors with respect of shopping behaviour based on clusters. Besides this the paper examines shopper segments based on socio-demographic variables. This paper opens with an extensive discussion of shopping behaviour and shoppers’ segmentation. This is followed by formulation of hypothesis and scope of the study. Subsequently, we present the research methodology of our quantitative research and followed by empirical analysis using factor and cluster analysis has been explained. The segments based on clustering were identified and profiled based on (Neha Purushottam, 2011). Finally, the paper ends with limitations and scope for future research.

## REVIEW OF LITERATURE

### Shopping Behaviour

The research on shopping behaviour was initiated by Dodge and Summer, 1969. Store choice is dependent on consumers’ socioeconomic characteristics, personality and past purchase experience. Afterwards Kotler (1973), Mattson (1982), Malhotra (1983), Lumpkin et al. (1985), Davies (1995) contributed a lot towards the research on shopping behaviour and most of these researches were focused on a qualitative basis. (McGoldrick & Betts, 1995) Eight factors extracted through quantitative analysis (factor analysis) that influence shopping behaviour in the UK. However, till 2003 there was not much research done on shopping behaviour in Bangladesh.

(Sinha & Banerjee, 2004) gives deeper insight on Indian shoppers’ behaviour, studied forty-three variables on modern formats of retailing were choice based on seven constructs such as proximity, merchandise, ambience, service, patronized and other two constructs. (Swoboda et al., 2009) Retailer

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