

CUSTOMER PURCHASE PREFERENCES AS BASIS FOR MARKETING STRATEGY CREATION: AN EXAMPLE OF BOSNIA AND HERZEGOVINA

KUPOVNE PREFERENCIJE POTROŠAČA KAO OSNOVA ZA KREIRANJE MARKETING STRATEGIJE: PRIMJER BOSNE I HERCEGOVINE

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Abstract: *The focus of this research was on analyzing customer purchase behavior and preferences on the household electronics market and using them for marketing strategy creation. Research is based on survey conducted by authors in January 2012. Data were gathered through online questionnaires and a sample of 174 consumers – buyers of LCD TVs, from Bosnia and Herzegovina is analyzed. Survey results offer important insights in customer purchase preferences on a dynamic and complex market such as household electronics and its significance for marketing strategy creation in terms of product, sales and promotional strategy.*

Key words: *purchase preferences, consumer behavior, marketing strategy*

Sažetak: *Fokus ovog istraživanja je na analizi kupovnog ponašanja potrošača na tržištu potrošne elektronike i njihovih preferencija, koje se mogu koristiti prilikom kreiranja marketing strategije. Rad je baziran na studiji koju su autori proveli u januaru 2012. godine. Podaci su prikupljeni u online anketi, a analiziran je uzorak od 174 potrošača – kupaca LCD televizora, iz Bosne i Hercegovine. Rezultati istraživanja daju značajan uvid u kupovne preferencije potrošača na dinamičnom i kompleksnom tržištu kao što je tržište elektronike i njihov značaj za kreiranje marketing strategije, te posebno strategije proizvoda, prodaje i promocije.*

Ključne riječi: *kupovne preferencije, ponašanje potrošača, marketing strategija, household electronics*



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1. Introduction

Which factors influence consumer purchase behavior? Is the disposition (location) of product within the retail object really influencing potential consumer and his/hers actions? Is the influence of modern media determining consumer behavior and directly influencing how much, when and where will the purchase happen? In the end, whether consumer behavior research could be used during an effective marketing strategy creation? Aim of this paper is to analyze abovementioned questions in consumer behavior and their implication on effective marketing strategy creation.

Knowing purchase criteria and factors [1] represents the important advantage for the company based on which it can build and maintain its competitive advantage. They represent important aspects of consumer behavior and as such the determinant of marketing strategy and organizational success.

Objective of this research was to analyze customer purchase behavior and preferences on the household electronics market. Attitudes and behavior of consumers on one hand and influence of media on the other were examined on the example of LCD TV purchase. Survey results offer important insights in customer purchase preferences on a dynamic and complex market such as household electronics and its significance for marketing strategy creation in terms of product, sales and promotional strategy

2. Literature Review

When it comes to purchasing process there are several methods defined in theory [2], [3], [4], [5], [6] most authors agree upon five steps process that begins with recognizing the problem, follows with information search, valuing alternatives, decision on purchase and post-purchase behavior.

Consumer that is evaluating it purchase decision will mostly be influenced by following three factors: personal, psychological and social [7]. When it comes to the psychological factors, perception is an important one. It is a process of selection, organization and translation of information in order to create meaning and as such it is causing the phenomena of so called selective distortion – it represents a distortion of received information if they are not consistent with personal values. Social factor in its essence represents the influence of society on consumer behavior.

Consumer behavior is a result of joint actions of numerous factors that could generally be divided in: geographical, demographical, economic, social and psychological [8]. There are many influencers on consumer behavior and a lot of different strategies and tactics implemented by companies and most of them are related to promotional mix and involving media. Media (and mass media especially) influence on consumer behavior has been a topic that preoccupied many researches. Economically, influence of mass media advertisements is definitely confirmed, its influence on opinions, perceptions and attitudes is not. Therefore, we have the situation that we are sure that e.g. TV advertisements are increasing sales, but we don't know why [9].

In 21st century, Internet outperforms all other mass media. When the availability and rate of usage is accounted, online marketing and advertising are becoming more and more important factors in consumer behavior studies and during marketing strategy developments.

Success of the marketing strategy depends in large amount upon the understanding of consumer behavior. They are based on the communication with consumers – directly through integrated marketing communications and indirectly through different characteristics of products/services (marketing mix elements). This communication includes: information acquisition, information dissemination (horizontally and vertical), information analysis [10]. Strategy development process starts with the so called 'segmentation-targeting-positioning' (STP) process, where the main task of the company is to identify the group of consumers it will communicate with.

One of the more recent approaches in strategy development is called behavioral marketing – it defines and implements marketing strategy based on consumers. This strategy is justified with the fact that consumers are reacting better on marketing messages that are relevant from the aspect of their habits and behavior [11].

Efforts in formulation of marketing strategy based on the consumer behavior are so high that they even analyze neurological factors of purchase and consumer behavior. Raab et al. [12] conducted a research on two groups of consumers where one of them are compulsive and the other ones regular. Within this research, it was confirmed that compulsive consumers show higher level of activity in certain part of the brain during product presentations than regular ones.

Another research [13] segmented supermarket consumers based on their attitudes towards sales personnel. Results showed that consumers are led by more factors when choosing supermarkets and that price and assortment are the most important ones. Additionally, important are: product disposal, location, interior and supermarket personnel.

In the end, when it comes to creation of marketing strategy, official attitudes of consumers are also important. Their recommendations can significantly influence the success of marketing strategy. When it comes to marketing and business development – excellent word of mouth became 'golden standard'. Client recommendations became one of the most effective ways to create credibility, brand and reputation. The reason for that is that they potential consumers are keener to believe recommendations of credible third party, than to any other [14]. Most effective recommendations are in a form of: verbal statements, surveys and thank you notes.

3. Methodology

This paper aims to prove that consumer behavior researches are practical and real approach towards successful marketing strategy creation. Field study was conducted on B&H market analyzing consumer behavior and preferences in purchase scenario. One product was selected – LCD TV's. Based on the research by Yu-Jing et al. [1] that isolated 16 important factors when it comes to purchase (price, quality, post-purchase service, size, brand, distribution channel, creative design, monitor flatness,

assortment, functionality, advertising and promotion, low energy consumption, technical capabilities, resolution, picture frequency, ad low level of radiation) this research aimed to analyze the importance of different criteria on B&H market. As LCD TV's producers tend to focus on technology, with little consideration for customer needs – gap between these two extremes should be lowered in order to reach aimed strategic targets.

Research was conducted by using online survey, on the sample of 174 consumers from B&H. Questionnaire was comprised out of demographical questions and of nine pre-defined purchase criteria which could be rated on the scale from 1 (most important) to 9 (least important).

4. Results and discussion

Regarding its characteristics, 71% of the sample was female and more than 80% was in the age group of 16-25 years old. More than 90% of the respondents attend or they completed I cycle university programs. Also, within the sample there were no persons above 55 years old, retirees, nor persons whose education level is elementary school (or lower). However, as these groups are usually not primary target groups of companies who sell LCD TV's and related technologies – we reckon the sample as representative when establishing consumer preferences in purchase.

In order to identify potential connections between different criteria, respondents could distribute the same grade to two or more purchase criteria. As a result, 174 respondents appointed the highest value totally 293 times. A technical capabilities criterion was selected as the most important in 27% times (Table 1).

Criteria	#	%
Technical capabilities (resolution, functionality etc.)	79	27.0%
Post purchase services	52	17.7%
Price	38	13.0%
Brand	33	11.3%
Size	25	8.5%
Distribution channel (technical store, supermarket etc.)	18	6.1%
Assortment	17	5.8%
Monitor flatness	16	5.5%
Advertising and promotion	15	5.1%

Table 1. Purchase criteria sorted by importance

Besides technical capabilities, most important factors are: post purchase service, price and brand. Additionally, cumulative scores were analyzed; they are presented in Table 2 (below). When we compare two tables – most important and least important factors stayed the same. However, other factors changed its position so in cumulative sense, brand and size of the LCT TV is more important than price

Criteria	Cumulative score	%
Technical capabilities (resolution, functionality etc.)	452	7.49%
Post purchase services	590	9.78%
Brand	599	9.93%
Size	603	10.00%

Price	618	10.25%
Monitor flatness	728	12.07%
Assortment	750	12.44%
Distribution channel (technical store, supermarket etc.)	838	13.89%
Advertising and promotion	853	14.14%

Table 2. Purchase criteria sorted by importance – cumulative scores

Furthermore, this research shows that age category does not moderate the factor importance. Independent upon age, four most important factors stay the same which is shown on Table 3.

Age	Most important criteria
16-25	1. Technical capabilities (resolution, functionality etc.)
	2. Brand
	3. Price
	4. Post purchase services
26-35	1. Technical capabilities (resolution, functionality etc.)
	2. Post purchase services
	3. Brand
	4. Price
36-45	1. Technical capabilities (resolution, functionality etc.)
	2. Brand
	3. Post purchase services
	4. Price

Table 3. Set of the most important criteria observed through age groups)

We can conclude that technical capabilities of LCD TV's (such as resolution, functionality etc.) represent the most important criterion for respondents in the sample. Apart from this criterion, post purchase services (in terms of service guarantees – maintenance) represent another crucial criterion that is identified as more important than product price. Price and brand complete the dominant four (out of which at least one is selected as the most important factor in 69% of cases). When it comes to demographic characteristics of the sample, they don't moderate the importance of criteria. However, this assumption is limited by the sample number.

Additional step in this analysis was done by examining a correlation matrix between selected criteria. It is represented on Table 4. From the correlations we can see that there are significant correlations between almost every criterion. Only exception is price – which doesn't distinctively relate with monitor flatness, distribution channel, assortment and advertising and promotion criteria. On the other hand, technical capabilities criterion is significantly correlated with all the others, with highest correlation scores with brand and post-purchase services. This analysis gives strong argument that there are underlying connections between criteria and that further exploration in terms of factor analysis and extraction of dimensions which connect different criteria should also be a subject for the research.

	Price	Size	Brand	PS	MF	DC	Assortment	A&P	TC
Price	1	.457**	.336**	.290**	.083	-.510	.106	-.024	.202**
Size		1	.478**	.330**	.325**	.087	.252**	.061	.351**
Brand			1	.384**	.304**	.161*	.305**	.226**	.433**
PS				1	.288**	.202**	.395**	.328**	.417**
MF					1	.524**	.505**	.342**	.334**
DC						1	.562**	.357**	.238**
Assortment							1	.501**	.383**
A&P								1	.275**
TC									1

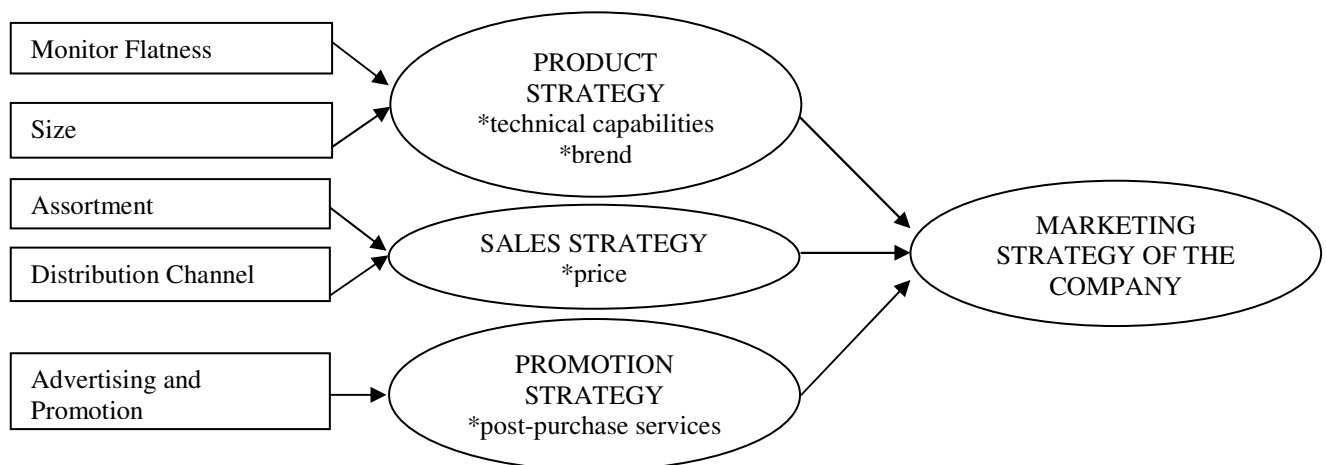
** Significant at the .001 level (2-tailed)

* Significant at the .05 level (2-tailed)

PS = Post-purchase services, MF = Monitor flatness, DC = Distribution Channel, A&P = Advertising and Promotion
TC = Technical Capabilities

Table 4. Correlation matrix between the criteria

When it comes to strategic decisions, some recommendations for marketing strategy are presented on a Picture 1.



Picture 1. Strategic recommendations

All criteria could be used and connected to different elements of marketing strategy. Regarding the product strategy – the most important for BH consumers are technical capabilities and brand – and this is what companies (and wholesalers/retailers) should look for when creating its offer. Most important product characteristics are screen thickness and size – and this should be taken into account. When it comes to sales strategy, price should be put in focus as this is still one of the most important criteria (quality is not listed as it could be personified through brand).

5. Conclusion

Finding the answers on question why consumers purchase certain product and services and which factors influence their decision is recommended for marketing strategy development and its success. In order to understand customer behavior, companies should analyze purchase processes as well as the post-purchase evaluation

and communication with consumers (which is often underestimated). Based on this study, we can see that important conclusions regarding customer behavior and importance of knowing the purchase factors for creating strategy. However, one of the main limitations of the research is regarding the size of sample and measurements used. Therefore, authors propose broader approach to the topic by conducting study with larger scope and development of specified measures for the defined constructs as well as factor analysis of the selected criteria. It would also be interesting to compare customers by doing a cross-national study in this respect.

6. Literature

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