MARKETING RESEARCH- MODULE 2

Topic: CHALLENGES OF HOME DÉCOR RETAIL STORES

Class: MEC 1

Team number: 7

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Methodology

MEMORANDUM
To: Management
From: Group 7
Date: 7-10-2016
Cc: Danish Chamber of Commerce

Subject: Challenges of home decor retail stores due to emergence of on line stores.
As we were given the task to understand the major problem of home décor retail stores that is challenged by on-line stores nowadays, we decided to do some research for us to have a better view of our customer behaviour.

Our main research question is “How can we develop retail stores in order to give them a head start in the fight with the on-line shops?” It is a difficult topic, but we managed to come up with sub questions to it, which include; “Where do customers go first before the purchase of their home décor?”, “How important are for customers retail stores? And how important are these on-line stores?”, “How often do they buy home décor? And what drives them to this purchase”?

When it comes to our primary data collection, we chose to use Concluding Analyses, to be specific we decided to use descriptive survey to understand our customer behaviour. We came up with this decision because in our topic there have been some similar researches already done, so we were able to gather some secondary data. As we had some data already we could use quantitative data collection in order to reach broader group of our population.

We know that choosing this type of interviewing may come with some problems such as not going in depth in our research, many validity and reliability problems and not matching our research with the population.

In our project we decided to use Non-probability, convenience sampling. The main reason for that was; we do not have access to our universe. That made us unable to use random sampling and stratified which demand knowledge about a number of respondents in our population.

However, convenience sampling is often used because of its convenience and low price that it comes with. Of course we know that our decision comes with some uncertainties regarding reliability and validity of our study. We could have many selection biases in our research and because we only used 100, instead of 385 based on a test statistics of a 95% confidence and a 5% error margin with a proportion of 50% representing on line and stores, respondents we could miss our population so that the results were irrelevant. When we think about validity problem we could ask the questions that respondents misunderstood and answered incorrectly, such as their average monthly net income, or the question just misses our project, such as respondents post purchase evaluation of on line and in store purchases. With reliability we had a little bit less problem because we used face to face survey not the on-line one so the respondents matched our destination group, but we could also have respondents that lied in our survey which makes our research irrelevant.

Another major reliability problem associated with our study was the gender representativeness. With a statistical test we came out with a value of 29.7% which is greater than 5%, thus, indicating our sample is representative gender wise, though we had 55% female and 45% male, which shows that our study meets a reliability criterion.

However, in terms of age, a statistical test gave a value of 2.45118E-06, which is less than 5%, meaning that our sample is not representative is terms of age of our respondents, and hence, our study cannot be considered reliable.

ANALYSIS

Goodness of fit test between shopping preference and reason

Table 1.1(cross table between shopping preference and reason)

Shopping preference ⬇	Affordability	Convenience	General shopping experience	Good customer service	Selection	Total
In store	2	13	42	16	7	80
On line	6	10	2	1	1	20
Total	8	23	44	17	8	100

The table 1.1 above shows the relationship between the normal shopping preferences of our respondents.
The aim of this table is to test whether there are dependences between normal shopping preference (that is, in store or on line) and reason of the choice of the respondents.

To this end, a Goodness-of-Fit test was conducted on this table and a p-value of 1.9E-06, a percentage which is less than 5%. This means that there are dependences between the two variables. Thus, whether customers of the Home Décor will shop on line or in a physical store, it depends on the reason behind their choices.
Table 1.1 shows clearly that out of the 80 respondents that prefer shopping in physical stores, 42 of them representing 52.5% of the total number of respondents who shop in stores, prefer to shop in stores because of General Shopping experience, followed by good Customer Service, 16 respondents, also representing 20% of all people who prefer shopping in stores, this is followed by convenience, selection and affordability also representing: 27.7% in all.

It can be concluded here that customers attach much importance to General shopping experience before they buy home decors in physical stores which is then followed by a second importance of Good customer service before other factors such as convenience, affordability, and selection are considered.

Another major deduction from the table 1.1 is that out of a total of 20 respondents who prefer shopping home décor on line, 10 representing 50% consider convenience first in their choice to shop on line; with six people, representing 30%, also considering affordability first; followed by a few people of 2, 1 and 1 who also considers general shopping experience, Good customer service and selection respectively.

Degree of importance Respondents attach to physical home décor retail store:

Respondents were asked to rank physical home décor retail shops and on line store in order of importance to them on a scale of 1 to 5 with one indicating “No importance” and 5 indicating “high importance”.
After the survey, the average of this degree of importance of stores stood at 4.36 and that of online stood at 3.59, indicating that customers attach on average more importance to physical stores than on line.
The standard deviations of the two were found out to be 0.732 and 1.164 for stores and on line respectively, showing that the degree of importance attached to stores is less varied among the respondents as compared to online.

Confidence interval for mean of degree of importance of physical stores and on line;

With a sample size of 100 respondents, it is ascertained that on a 95% degree of certainty the average importance attached to physical stores is from 4.22 to 4. 50; that of on line is also estimated to be within the range of 3.36 to 3.82

Confidence interval for standard deviation of degree of importance of physical stores and on line;

With a 95% degree of certainty, the standard deviation for importance attached to on line home décor stores is from 1.02 and 1.35 and that of physical stores is from 0.64 to 0.85

Table 1.2 (cross table between the shopping preference and the reason)

Preference/ Reason	Affordability	Convenience	General shopping experience	Good customer service	Selection	Total
Store	2.5%	16.25%	52.5%	20%	8.5%	100%
On line	30%	50%	10%	5%	5%	100%

We calculated the percentages above using our data for the sample shown in table 1.1 above. This shows that 30% of our respondents shop online because of the affordability compared to the only 2.5% of the physical store shoppers, whereas they mainly go there because of the general shopping experience shown with the 52.5%. Another major reason why people sometimes choose to shop online is convenience, 50%, compared to the 16.25% of our respondents who listed this as a main reason for shopping in a store.

Goodness -of- fit test between Gender and frequency of buying decors

Table 1.3(cross table between gender and frequency of buying decor)

Gender/ Frequency of buying décor	**Not often**	**often**	**Rarely**	**very often**	**Grand Total**
Female	22	19	8	6	55
Male	23	5	14	3	45
Total	**45**	**24**	**22**	**9**	**100**

Table 1.3 shows the frequency of purchase of décor compared by gender. To determine whether there is dependence between these two variables, a goodness-of –fit test was conducted and the test gave a p-value of 0.019219 or 1.9219% which is less than 5%, thus, showing that there are dependences between these two variables. It is seen clearly from the table 1.3 that in columns 3 and 5, female shop “often” and “very often” respectively than male.

Key elements of the costumer journey:

Table 1.4 (first touch point)

Information obtained / Total	Total
Physical advertisement	32
Social media	64
Other	4
Total	100

The table above is a result of the question: “How do you get information about home décor?” from our study, telling that before respondent purchase home décor 64 of them got first-hand information on social media and 32 got informed by physical advertisement.

Second touch point

When the customers know what to buy, they have to figure about where they are going to buy it. As shown in table 1.1, 80% of our respondents prefer to shop in the physical home décor retail stores and only 20% would go and buy online.

The challenges:

By looking at table 1.2 it’s very clear that two main challenges of physical stores are affordability and convenience when buying online opposed to buying in a store. To better this, the stores could have a screen with all items available in the store displayed to make it more convenient.

Segmentation:

Table 1.5 (matrix)

income and preference / age	18-25	26-40	41-60
< 5.000 online	0	0	0
< 5.000 in store	42.86	28.57	28.57
5.000 - 15.000 online	76.92	15.38	7.9
5.000 - 15.000 in store	76.19	19.05	4.76
15.001 - 30.000 online	20	40	40
15.001 - 30.000 in store	27.78	55.56	16.67
> 30.000 online	0	50	50
> 30.000 in store	8.82	26.47	64.71

Based on our study we made a matrix between income, shopping preference and age as shown in table1.7 above. From this we found out that 64.71% of people with an income above 30.000 who prefers to shop in a store are in the age category of 41-60. This represents a potential target group for home décor shops. Our suggestion would be that, the stores should be stocked with home décor items that befit this age category and income status.

Looking at the age group of 18-25 with an income of 5.000-15.000, which include the income in the form of the SU in Denmark; this age and income category, prefers to shop almost equally online and in stores, so home décor retailers should offer items equally online and in store for these people.

Solution

All in all, our solution would be to install “online” in the store, for customers to get a better overall view of the available items in that exact store. And considering, based on our study, that people with a high income (of above 30.000DKK) who go to physical stores are between 41-60 years, expensive items should be adjusted to their needs.

The same goes with the age category of 18-25 with an income between 5.000-15.000DKK who go to physical stores. Or we could look at it completely different.
To do a secondary questionnaire, we would focus on the age group not reached and figure out their wants and needs and widen the target group.

Appendices;

Questionnaire:

Dear Customer,

WE ARE DOING A SCHOOL PROJECT, DO YOU HAVE A MINUTE FOR SOME QUESTIONS?

Statement of Confidentiality: THIS SURVEY IS PURPOSELY FOR A SCHOOL PROJECT WORK AND NONE OF YOUR RESPONSES WILL BE DISCLOSED TO ANYONE IN ANY WAY.

Study Topic: CONSUMER BEHAVIOR (CHALLENGES OF HOME DÉCOR RETAIL SHOPS IN COPENHAGEN)

Expected Time: ABOUT 10 MINUTES

BACKGROUNG INFORMATION

TICK THE ONE THAT FITS YOU WHERE YOU HAVE A BLANK BOX AND CIRCLE WHEN YOU HAVE MULTIPLE CHOICE

1. **How old are you?**

   Less than 18 ☐

   18-25 ☐

   26-40 ☐

   41-60 ☐

   Above 60 ☐

2. Gender:

   Male ☐

   Female ☐

BASIC QUESTIONS: CIRCLE / TICK THE ONE THAT SUITS YOU

3. When was the last time you bought a home decor?

A. Less than one month
B. between 1 to 6 months
C. 7 to 12 months
D. more than one year

4. Did you buy it in physical store?

Yes ☐

No ☐

5. How often do you buy home décor?

A. Very often
B. Often
C. Not often
D. Rarely

6. Typically, how often do you buy home decor in-store?

A.Never
B. Rarely
C. Often
D. Frequently

7.Typically, how often do you buy home decor online?

A.Never
B. Rarely
C. Often
D. Frequently

8. Do you generally prefer to shop home décor online, or in-store?

On-line ☐ In store ☐

CIRCLE THE APPROPRIATE ONE THAT FITS YOU

9. What is the main reason for your response in 8 above? (Select the two most important)

A. Convenience
B. Affordability
C. Good Customer Service

D. General Shopping Experience
E. Selection

10. Are you the decider on home décor purchases?

A. Yes, I am

B. No, I am not

C. I decide with others

11. How important are physical stores to you? (On scale: from 1. Not at all to 5.very important)

12. How important are online stores to you?(on scale :from 1. Not at all to 5.very important)

13. What drives you to purchases in stores?

A. Feel of need

B. Feel of want

C. Impulse

14. What drives you to purchase online?

a) Feel of need

b) Feel of want

c) Impulse

15. How much time do you spend buying in stores?

A. Less than 30 minutes

B. 31 minutes to 1 hour

C. More than 1 hour

16. What do you normally buy with respect to Home Decors?

A.Kitchen items

B.Bedroom items

C.Hall items

17. What is your average household monthly net income?

A. Less than 5.000

B. 5.000 to 15.000

C. 15.001 to 30.000

D. More than 30.000

18. Where do you go first when you want to buy home decors?

A. Online ☐

B. stores ☐

Why?

19. What do you think is missing in home décor retail shops?

20. How do you get information about home decors?

A. Physical Advertisement

B. Social media

References:

Poul K. Faarup, Kenneth Hansen and Jacob Aabore Hansen (Marketing Research and Statistics)