

Full Length Research Paper

The effect of consumer price knowledge and gender on retail marketing strategy

Louise van Scheers* and MC Cant

University of South Africa, School of Marketing Unisa PO Box 392 Pretoria, South Africa.

Accepted 04 September, 2007

Secondary research shows that consumer price knowledge and gender has an effect on retail management strategy. Consumer knowledge and expertise of industries prices, products and store location add to the ease at which consumers are able to cherry pick. Consumers are informed of discounted prices on products as well as the product assortment of a particular store, through marketing and store promotions. Cherry picking can be defined as taking the best and leaving the rest and therefore cherry picking is used to portray both buyer and seller behaviour in retailing. Various sellers can be viewed as those who are selective about which consumer profile they choose to target, whereas consumers are selective about which products or services they purchase. This article aims to establish the effect of consumer price knowledge and gender on retail management strategy. Consumers who are branded as cherry pickers are price sensitive shoppers with no brand loyalty but this market segment has been found to be sizable, heterogeneous, and potentially attractive for retailers, contrary to the myth that they are a retailers' nemesis. Price knowledge means the ability of buyers to keep prices in mind; it influences what, when, where and how much they buy. Cherry pickers build price competitions between retailers'; therefore they should strive to have the most attractive offers and weekly advertisements, in order to draw the cherry pickers in and obtaining a greater turnover.

Key words: Cherry picking Consumer knowledge consumer price knowledge price sensitive shoppers

INTRODUCTION

It has long been said that that consumer price knowledge and gender has an effect on retail marketing strategy. Consumer price knowledge and expertise of an industries prices, products and store location add to the ease at which consumers are able to cherry pick. They are informed of discounted prices on products as well as the product assortment of a particular store, through marketing and promotions. Price knowledge means the ability of buyers to keep prices in mind. Commodity prices in the market play a relevant role in consumer decision-making as they influence what, when, where and how much consumers buy (Alba et al., 1999). It is of utmost importance that retailers incorporate strategies that target and meet the needs of this type of consumer, as it will ensure a larger market share and in turn a greater ROI. The study aims to establish the effect of consumer price knowledge

and gender on retail marketing strategy. The study also aims to establish whether consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries and whether there is a relationship between consumer knowledge and gender.

Retail marketing strategy serve as the fundamental underpinning of marketing plans designed to reach marketing objectives. A good retail marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to provide a foundation from which a tactical plan is developed. This allows the organization to carry out its mission effectively and efficiently. Cherry picking can be described as taking the best and leaving the rest according to Fox and Hoch (2003) . Cherry picking is used to portray both buyer and seller. Various sellers can be viewed as those who are selective about which consumer profile they choose to target, whereas consumers are selective about which products or services they purchase.

*Corresponding author. Email: vscheml@unisa.ac.za

Consumers who are branded as cherry pickers are price sensitive shoppers who tend to delay purchases or move from one shop to another looking for a better deal with regards to price, product variety and assortment. Levy and Weitz (2004) define cherry picking as "... consumers who visit a store and only buy merchandise sold at big discounts". Other factors that influence a consumer to cherry pick are store location, and store preference and consumer expertise/knowledge.

REASON FOR THE STUDY

There has been numerous studies conducted on the effect of cherry picking on consumer price knowledge and gender in selecting groceries in the USA and Europe but very limited research has been conducted on these two constructs in a South African context.

OBJECTIVES OF THE STUDY

The study aims to establish the relationship between consumer knowledge and gender in selecting grocery items. The study also aims to establish whether consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries and whether there is a relationship between consumer knowledge and gender. To achieve these objectives of the study the following hypotheses were set:

H₁: Consumer price knowledge and gender has a positive effect on retail marketing strategy.

H₂: Consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries.

H₃: There is a significant relationship between consumer knowledge and gender.

LIMITATIONS OF THE STUDY

Research was only conducted in shopping malls within the Pretoria (Tshwane) area, therefore this study is not truly representative of the South African population. No research was conducted over weekends and in the early evening; this could therefore have an impact on the final results of this study as some people conduct their shopping trips during this time. A larger percentage of females than males completed the questionnaire, and therefore this may have a bearing on the stronger results shown on females to that of males.

LITERATURE REVIEW

The literature explored in this section focuses on the effect of consumer price knowledge and gender on cherry

picking in selecting groceries.

The effect of consumer price knowledge and gender on retail marketing strategy

Commodity prices in the market play a relevant role in consumer decision-making, as they influence what, when, where and how many consumers buy (Alba et al., 1999) and therefore studying consumers' price awareness is highly relevant. Price awareness or price knowledge means the ability of buyers to keep prices in mind (Aalto-Setälä and Rajjas, 2003). The majority of past studies on pricing have pointed out that consumers generally have very limited knowledge of prices. Price knowledge has therefore become the subject of increasing research interest. The consumers' price knowledge and genders effect on consumers' selection of grocery items can be influenced by numerous factors, which may be related to the characteristic of the consumer or the product category (Estelami, 1998). The demographic background (example; age, gender and income) of a consumer may affect their interest in products as well as their expertise as to their prices. It has been researched that females, who account for the larger percentage of purchases of grocery products, would be more knowledgeable about prices in this category than males (Market Research Bureau, 2004). Estelami (1998) researched the influence of demographics on price knowledge in the grocery shopping industry and therefore the following hypothesis was set.

H₁: Consumer price knowledge and gender has a positive effect on retail marketing strategy.

Venhuele and Dreze (2002) found that there are different levels of price knowledge that a consumer can be found in. In the first level, there is no price knowledge, the second level reflects recognition of large price differences but this is still not perfect. The third level represents a consumers' ability to recall a price within a 5% difference from the actual price set. The last level represents a consumer's ability to accurately recognise the actual price of a product. This level is representative of the highest and rarest form of price recall. Venhuele and Dreze (2002) also deduced that cherry picking has no impact on price knowledge, due to their increased task complexity from the average shopper.

The effect of consumer price knowledge and gender on cherry picking in selecting groceries

There are many definitions and descriptions of cherry pickers that have been compiled by various researchers (Fox and Hoch, 2003; Gauri et al., 2005; Levy and Weitz, 2004), based on these definitions, cherry pickers can be defined as "... purchasers who cherry pickers can be

Table 1. Description of typical cherry pickers.

Type of household	Probability for cherry picking to occur
Larger households	More likely to cherry pick
Household with senior citizens	More likely to cherry pick
Household with homeownership	More likely to cherry pick
Wealthy household	Less likely to cherry pick
Household with a working adult female	Less likely to cherry pick

defined as “.... purchasers who examine the different proposals of several retailers and pick out the best over one or more days. They are characterised as price sensitive and well informed customers, as they construct pre-determined shopping trips from promotions and sales advertisements previously viewed so that the best deals are utilised”.

The American Marketing Association (2004) defines cherry picking as “..... a buyer selection of only a few items from one’s line and others from another line, failing to purchase a complete line or classification of merchandise from one source”. Due to the shopping style of these customers, many affected retailers question their brand and store loyalty. Gauri et al., (2005), argue against the loyalty aspect of this definition as they found that cherry pickers can indeed be store loyal as they delay their shopping trip over time in order to get a better price deal at the same store.

Secondary research done by the American Marketing Association (2004) shows that cherry pickers either keep a different reference price for each store they pick from or create an average reference price from several different sources. This may also lead to the lack of price knowledge. We will investigate if this statement holds true for the South African industry, therefore the following hypothesis was set:

H₂: Consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries.

Although it is important that consumers are informed of the different prices offered at various places, it will benefit them even more if they have a general understanding of the retail industry as a whole. Findings from the research conducted by Fox and Hoch (2003) indicate that this market segment is sizable, heterogeneous, and potentially attractive for retailers, contrary to the myth that they are a retailers’ nemesis. The composition of the main decision-makers in a household and their different characteristics could determine cherry picking to a greater or lesser extent (Fox and Hoch. 2003). See Table 1 below for a better description.

Adapted from: Fox and Hoch, 2003. Cherry Picking. *Journal of Marketing*. 69(1). [Online] Available from: <http://proquest.umi.com> [Accessed: 24/01/2006]. From the deductions made above in Table 1, one can conclude that cherry picking has a meaningful influence on the

retail industry from an economic point of view, and therefore is a cause of concern for the affected retailers of today. A consumers understanding and intellect of the retail industry has a significant influence on their propensity to cherry pick. Consumer knowledge will therefore be discussed as the next important construct put under investigation in this study.

Consumer knowledge and gender

Consumer knowledge or expertise is generally defined as a consumers’ confidence or experience in shopping. Knowledgeable consumers are those who are well informed or “clued up” on the prices of products, the types of stores as well as product assortment. These consumers generally feel comfortable in sharing this knowledge with others as they see themselves as a good source of reference. Consumers inform themselves by searching for information on promotional material and constantly updating themselves on the latest product on the market or price specials at certain stores. If a consumer is enlightened through various media channels and word of mouth, they begin to store this information in their memory and begin to feel confident in their knowledge and therefore if information is required from them, they share it with the thought of being a good source of information.

H₃: There is a significant relationship between consumer knowledge and gender

The method of analysis chosen and the results thereof will be discussed next.

METHODOLOGY

The sampling, data collections and measures of the research is analysed in this section.

Sampling

Grocery shoppers were the targeted population of this study. The sample was targeted through the use of mall intercept and interviewer -administrated personal interviews at a variety of shopping malls. The sampling frame was obtained from different shopping malls found in Pretoria (Tshwane), South Africa, based on convenience. Shopping malls found in areas representing the different

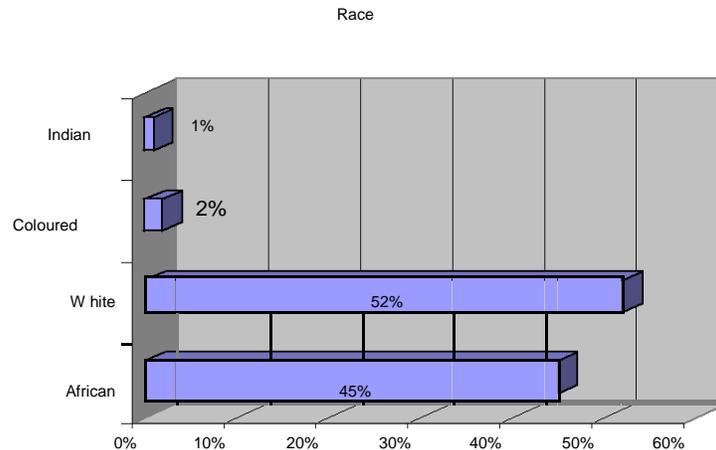


Figure 1. Socio-demographic profile – race.

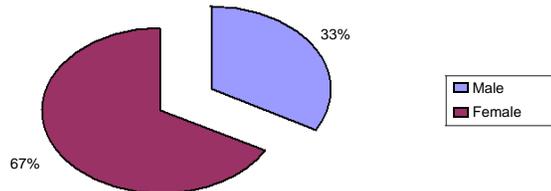


Figure 2. Socio-demographic profile – gender

LSM groups were targeted, thus affording the researchers a closely representative sample of the population of Pretoria (Tshwane).

A realised sample size of 176 was obtained from a target sample size of 250 with 100% of the questionnaires being usable. This could be attributed to the use of personal interviews as a data collection method. The data collection method is now discussed in more detail.

Data collection

A pilot study was conducted on the questionnaire through 10 quasi interviews. Respondents were selected based on convenience and only the “main family grocery shopper” was allowed to participate.

Data collection took place over a span of three days through the use of personal interviews at ten different shopping malls within the Pretoria (Tshwane) region. Well trained interviewees were used to conduct the research, thus decreasing the chance of error and bias. According to Tustin et al (2005) personal interviews are regarded as one of the most viable options to use in testing variables like cherry picking and consumer knowledge. Three different times slots in the day were used (morning, afternoon and early evening) where upon research was conducted, thus allowing the researchers to capture a wider spread of respondents

Measures

This study’s main constructs of consumer price knowledge, cherry picking and gender was measured through the use of Likert-type scales as opposed to the demographic variables (income, age, and gender) whose questions delivered only nominal data. The basic scale design therefore consisted of a Likert-type scale with five sca-

le points (with labels ranging from strongly agree to strongly disagree and not well informed to very well informed). This scale was found to be highly reliable with a Cronbach’s Alpha of above 0.7. No items on any of these scales were reverse scored. The results of the study are shown below.

RESEARCH RESULTS

In this study the research results were described by using descriptive statistics and inferential statistics.

Descriptive statistics

The study shows that the majority of respondents who participated in this study were female (67%) with an average age of between 24 and 28 years (30%). A relatively diverse spread of language across respondents was obtained with most respondent’s preferred language being Afrikaans (50%) and 37% of the respondents English as their preferred language while only 13% speak North Sotho. The race of the respondents was an important variable in indicating what effect price knowledge and gender has on a consumers’ propensity to cherry pick and the response is summarized in Figure 1.

From the data represented above in Figure 1, the response with regards to the race of the respondents, it seems that 52% of the respondents were white and 45% were African, compared to 2 percent coloured and one percent Indian respondents. The outcome of this statistic can possibly be explained due to the selection of shopping centres during data collection.

It can be clearly seen from Figure 2 that the majority of the respondents who completed the questionnaires were females, showing a strong 67% compared to the 33% of male respondents. This can also be explained due to the time periods in which data collection took place. The bulk of the data collection took place in the morning, early afternoon and late afternoon, therefore the majority of the respondents were housewives and senior citizens with a

Table 2. Pearson correlation between consumer price knowledge, gender and retail marketing strategy.

Data		Correlation between consumer price knowledge, gender and retail marketing strategy	Total: consumer price knowledge, gender and retail marketing strategy
Correlation between consumer price knowledge, gender and retail marketing strategy	Pearson Correlation	1	.047
	Sig. (2-tailed)	.	.348
	N	167	166

Table 3. Cross-tabulation of price knowledge and gender

		Male	Female
How informed are female and male respondents with regard to prices of products?	Not very well informed	60%	30%
	Indifferent	16%	17%
	Very well informed	24%	53%
Total		100%	100%

smaller percentage of the working population. The hypotheses set for this study are stated in the next section from which the above was tested and analyzed.

Inferential statistics

In this study the researchers describe the sample data as means, standard deviation and proportions but also wish to make inferences about the population based on what was observed in the sample. Inferential statistics allow researchers to make inferences concerning the true differences in the population (Tustin et al., 2005).

The effect of consumer price knowledge and gender on retail marketing strategy

The gender of consumers may have an influence on their interest in products and their expertise as to their prices which may affect the retail marketing strategy. It has been researched that females, who account for the larger percentage of purchases of grocery products, would be more knowledgeable about prices in this category than males (Market Research Bureau, 2004). This study would like to investigate if this statement holds true for grocery items purchased in South Africa. To achieve the objectives of the study, to determine the price knowledge and gender relationship of consumers when they do grocery shopping, the following hypotheses were formulated:

$$H_{01}: \mu_1 = \mu_2$$

$$H_{A1}: \mu_1 \neq \mu_2$$

In analysing H_{02} , the researchers conducted a Pearson Correlation test between the variables; consumer price

knowledge and gender. From the results indicated in Table 2, it shows that there is a significant relationship between the two as the p-value is 0.047 for both at a 0.05 significant level. When conducting the z-test, H_{02} was rejected therefore accepting H_{A1} . Therefore, by accepting H_{A1} , one may conclude that there is a significant correlation between price knowledge and gender. The table below portrays the results of a cross tabulation between the two constructs tested in this hypothesis.

Table 3 shows that 53% of the female respondents are of the opinion that they are well informed about prices of grocery products compared to 24% of the male respondents. Table 3 also shows that 60% of the male respondents admit that they are not very well informed compared to only 30% of the female respondents. The study shows that females are more knowledgeable about prices of grocery products.

The effect of consumer price knowledge and gender on cherry picking in selecting groceries

The research aims to establish whether consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries in South Africa and therefore the following hypotheses were set:

$$H_{02}: \mu_1 = \mu_2$$

$$H_{A2}: \mu_1 \neq \mu_2$$

Table 4 indicates the Pearson correlation on the effect of consumer price knowledge and gender on cherry picking in selecting groceries. These variables were correlated through the use of the Pearson Correlation test. The results show that there is a significant relationship between these variables with the p-value of 0.037 on a 0.05

Table 4. Pearson correlation on the effect of consumer price knowledge and gender on cherry picking.

Data		Effect of cherry picking on consumer price knowledge and gender	Total: price shop across stores and gender
Effect of cherry picking on consumer price knowledge and gender	Pearson Correlation	1	.037
	Sig. (2-tailed)	.	.348
	N	167	166

Table 5. Pearson correlation between consumer knowledge and gender.

Data		Correlation between price knowledge and gender	Total: price knowledge and gender
Correlation between price knowledge and gender	Pearson Correlation	1	.045
	Sig. (2-tailed)	.	.348
	N	167	166

significant level, therefore the null hypothesis is rejected as 0.037 is smaller than the p-value. The study shows that consumer price knowledge and gender has a positive effect on cherry picking in selecting groceries.

From the results found above it can be concluded that South African consumers are able to confidently cherry pick over more than one day due to their increased knowledge of prices offered on different products at different stores. If consumers have a broader knowledge of prices they are able to participate in the act of cherry picking easier than a consumer who has selected knowledge thereof.

Consumer knowledge about product prices, type of stores and product assortment and gender

Consumer knowledge as indicated in paragraph 5 is the consumers' confidence or experience in shopping. Knowledgeable consumers are those who are well informed on the prices of products, type of stores as well as product assortment. The respondents were asked whether they know a lot about product prices, type of stores as well as product assortment. The response is summarized in Figure 3.

From Figure 3 it is clear that female respondents are more knowledgeable about product prices, type of stores and product assortment. From the female respondents, 65% indicated that they are well informed, compared to 35% of male respondents.

The research also aimed to establish whether gender has an influence on the knowledge that the South African consumers have on the prices of products, type of store and product assortment and therefore the following hypotheses were set:

$$H_{03}: \mu_1 = \mu_2$$

$$H_{A3}: \mu_1 \neq \mu_2$$

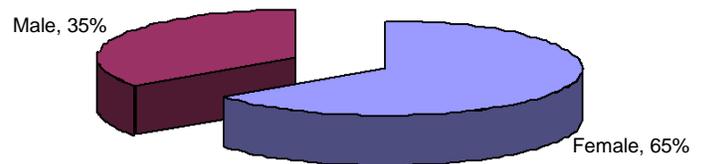


Figure 3. Knowledge about product prices, type of stores as well as product assortment.

In Table 5, the variables were correlated through the use of the Pearson Correlation test. The results show that there is a significant relationship between these two variables with the p-value of 0.045 on a 0.05 significant level, thus the null hypothesis is rejected as 0.045 is smaller than the p-value. From the results found above it can be concluded that there is a significant relationship between consumer knowledge and gender and that gender has an influence on the knowledge that the South African consumers have on product prices, type of stores and product assortment.

MANAGERIAL IMPLICATIONS

Knowledge regarding cherry picking behaviour will enable retailers to get a higher wallet share from even its price sensitive shoppers, while at the same time charging higher prices for its price insensitive customers. The retailers must be aware of the fact that much of the savings on cherry picking trips is due to the purchase of more promotional items, where savings is subsidised by manufacturer discounting. Thus, the burden of cherry picking is borne by both retailer and manufacturer. The implication of marketing for retailers is what they need to find a balance between "specials" and cherry pickers as well as "regular" customers. This is important for the survival of

the retailer over time.

Retailers must also make an effort to embrace this segment as it accounts for such a large percentage of the population. Cherry pickers build price competitions between retailers', therefore they should strive to have the most attractive offers and weekly advertisements, in order to draw the cherry pickers in and obtaining a greater turnover.

RECOMMENDATIONS FOR FUTURE RESEARCH

Research could be extended and conducted over week-ends and in the earlier evening, thus taking into consideration the working population who only get the chance to conduct their shopping trips during these periods. A larger sample of South Africa needs to be considered in order to create a "truer" representation of the shopping habits of South Africans. A 50-50 sample population with regards to men and women should be attained in order to measure the true level of price knowledge and consumer knowledge.

REFERENCES

- Aalto-Setälä V, Rajas A (2003). Actual market prices and consumer price knowledge. *J. Prod. Brand Manage.* 12(3):180-192
- Alba JW, Mela CF, Shimp TA, Urbany JE (1999). The effect of discount frequency and depth on consumer price judgements. *J. Consumer Res.* 26: 99 –114
- American Marketing Association. 2004. Cherry picking. [Online] Available from: <http://www.marketingpower.com/mg-dictionary-view541>.
- Blackwell RD, Miniard PW, Engel JF (2006). *Consumer behaviour*: Mason: Thomson South-Western. pp. 34-78
- Brink A, Berndt A (2004).. *Customer Relationship Management*. South Africa:Juta. pp 25-62
- Cant MC, Brink A, Brijball S (2006). *Consumer behaviour*. South Africa: Juta. . p. 65
- Churchill GA, Iacobucci D (2002). *Marketing research- Methodological Foundations*:Orlando: Harcourt College Publishers. pp 234-238
- Estelami H, (1998). The price is right... or is it? Demographic and category effects on consumer price knowledge. *J. prod. brand manage.* 17 (3):254-266
- Fox EJ, Hoch, SJ (2003). Cherry Picking. *J. Mark.* 69(1). [Online] Available from: <http://proquest.umi.com>
- Gauri DK, Sudhir K, Talukdar D (2005). "When" and "Where" to Cherry Pick? The Temporal and Spatial Dimensions of Price Search. [Online] Available from: www.google.com
- Levy M, Weitz BA (2004). *Retailing Management*. 5th edition. New York: McGraw-Hill Irwin. pp. 142-149
- Popkowski Leszczyc, PL Timmermans HJP (1997). Store switching behaviour. *Marketing letter* 8:2. Netherlands. Kluwer Academic Publishers. pp. 2-6.
- Simmons Market Research Bureau. (1994). *Choices II System*. Simmons Inc. New York. P. 54
- Vanhuele M, Dreze X (2002). Measuring the price knowledge shoppers bring to the store. *J. mark.* 66: pp 72-85