

RETAIL MERCHANDISING CONCEPTS & THEORY

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What is Marketing?



Marketing is a 4 step process:

1. Analyzing & defining potential customers.
2. Capturing the attention of the customers.
3. Creating a marketing plan to reach the targets.
4. Converting the potential buyer into a customer.

Keys to Retail Marketing

- **Awareness** –
 - Ensures retail personnel know distinctive competencies.
 - Show potential customers your “readiness to serve”.
 - Empower employees to act on customer’s behalf.
 - Observe/track buying habits: up-sell & cross-sell to fit habits
- **Visual Impact** –
 - Clean store & stock, uncluttered aisles, good lighting, clean bright walls & floors, fully stocked colorful displays
 - “Front” your shelves & hooks (pull goods forward)
 - Display items in well-lit, high-traffic areas
 - Symmetry, color, design increase shopping satisfaction



Visual Impact



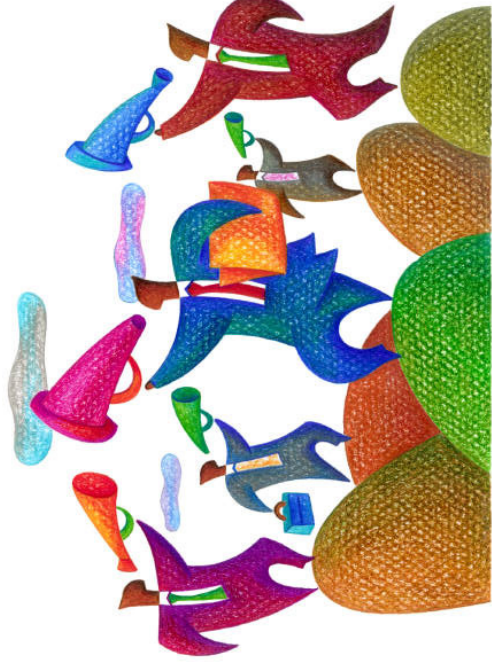
Would you shop at these?

Mass vs. Niche Marketing

- Mass marketing (one size fits all) is dead.
- Must pay attention to customer base
 - Define customer's unique needs
 - Pick the right product & time for these needs
- Niche marketing & ethnic marketing
 - Amul saw need for healthy drink appealing to Keralites tastes – invented Narial Pani

The 4 “P”s of Marketing

Use variations of these 4 components to reach multiple consumers within your target market:



- **Product**
- **Price**
- **Placement (Displays, Shelf Placement, Facings)**
- **Promotion**

The “4 P’s” of Marketing

- **Product** –
 - ✓ Does each **SKU's** (stock keeping units) cannibalize existing sales, or drive incremental volume?
 - ✓ Cross merchandising: displaying related product together
 - i.e. white boards with markers & indexes w/ binders
 - Proven to increase sales 15-60%
 - Customer convenience & one-stop shopping
 - ✓ Are there product line gaps?
- **Price**
 - ✓ Must be attractive to both you and the consumer.
 - ✓ Consider commercial price points & competitive items
 - ✓ Side by side comparisons

The “4 P’s” of Marketing (cont)

- **Placement**
 - Display in more than one location to increase visibility.
 - Multiple facings for new or declining sale SKUs.
 - Height, angle, & placement changes visibility & sales
 - Shelf and store alignment should consider customer preferences
- **Promotion**
 - Involve customers thru surveys, bounce back cards, flyers, & direct communications to determine incentives
 - Use price incentives to build order size.
 - Give reason to buy now & focus on select products
 - Targeted email & flyer campaigns
 - Loyal shopper programs

Merchandising Definitions

- One definition of **merchandising** is a [marketing](#) practice in which the brand or image from one product or service is used to sell another. It is most prominently seen in connection with [films](#)
- Merchandising, as commonly used in Marketing also means the promotion of merchandise sales, as by coordinating production and marketing and developing advertising, display, and sales strategies to increase retail sales. This includes disciplines in pricing and discounting, physical presentation of products and displays, and the decisions about which products should be presented to which customers at what time.
- Another definition of Merchandising is the Supply Chain practice of making products in retail outlets available to consumers, primarily by stocking shelves and displays.

Merchandising Definitions

- Merchandising is a branch of marketing theory and practice concerned with maximizing product sales by designing, packaging, pricing, and displaying goods in a way that stimulates higher sales volume. The underlying assumption in merchandising is that consumers may have a general need for (or interest in) a certain class of product, and it is the merchandiser's task to present the product in a way that best captures consumers' attention and persuades them that the product will fulfill their needs and wants. Merchandising employs a wealth of theories about consumer behavior to accomplish this.

What is Retail Merchandising?

...the management of inventory to ensure the most advantageous display of fast & slow moving items, and to maximize sales per retail sq. ft.

- Includes:
 - inventory assortment planning
 - Sales floor design
 - Product presentation: visual merchandising and display.
 - Pricing
 - Interior Signage

Merchandising Can...

- Entice more new customers into your store.
- Create a lasting image and goodwill for retailers.
- Create more repeat shoppers.
- Cause more shoppers to make a purchase.
- Increase order size.
 - More products per purchase
 - More of each item on list
 - Impulse products
- Sell products that are most important to you
- Increase employee productivity

Merchandising Contributions

1. **Increases Sales**
 - By appealing to customers and educating them
2. **Improves Profitability**
 - By generating more margin
 - Feature highest margin items most prominently
3. **Controls Costs**
 - improves employee productivity & decreases stock-outs
4. **Competitive Positioning**
 - Can dispel high-priced perceptions w/o losing margins
5. **Most importantly...Increases Blind Labor!**
 - Focus on our mission when choosing featured items

Merchandising Strategy

Base your strategy on consumer shopping factors:

1. Shoppers look for a deal
2. Shoppers are open to suggestive buying
3. Shoppers want to save time & money
4. Shoppers want to know why they should buy that product



Types of Merchandising

Vertical and Horizontal Merchandising



Vertical Merchandising: The same brand in different varieties / flavors is stocked in a “block” format for your product as well as the competitors.

Vertical Merchandising

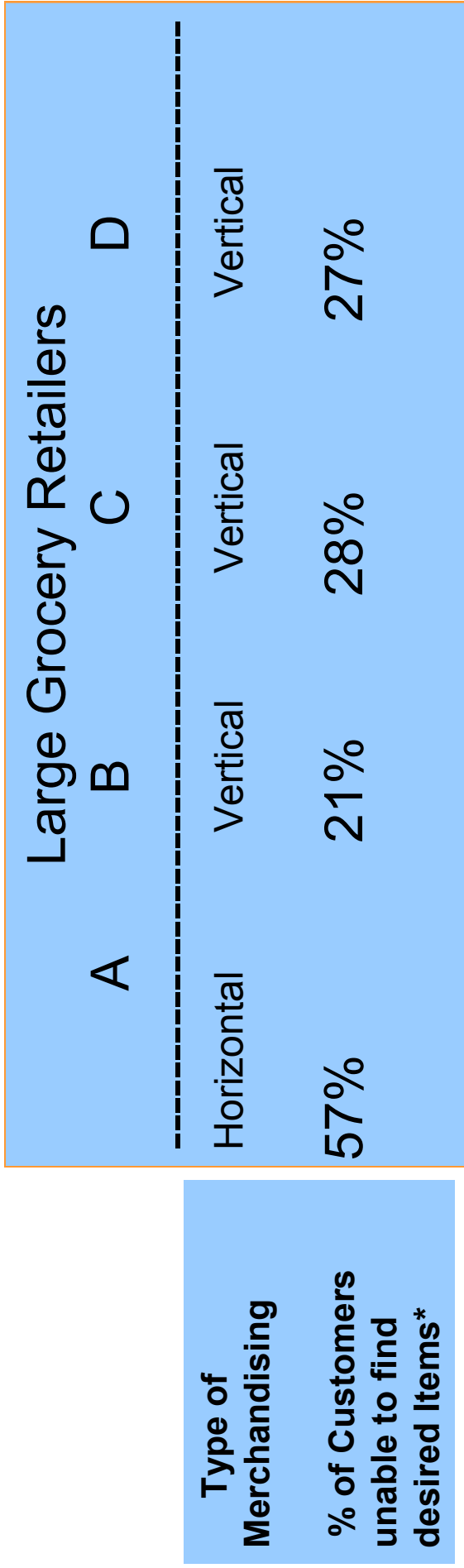
- **Vertical Sets increase days of supply & reduce out of stocks!**
 - Stores that set vertically by product type have greater days of supply than stores set horizontally.
 - **1 in 5 shoppers** will change stores if faced with an Out of Stock on a regular item on a routine basis.
- **Vertical Sets drive more sales per facing!**
 - Potato chip sales per facing and per shelf foot are higher in stores with vertically set sections.

ACNielsen's Shelf Studies show vertical merchandising is twice as effective as horizontal !

Horizontal Merchandising

Horizontal merchandising is where the same brand SKUs are placed next to one another (multiple facings)

Example: Real's Grape Juice, Real's Regular Grape Juice etc



Source: Spectra Marketing's Merchandising Sets Display Study, 2004

Merchandising Theories

BRIEF SURVEY OF THEORIES

A large body of theory and empirical evidence span from market research to consumer behavior to competitive intelligence.

- Product pricing
- Cross-merchandising