



ARTICLE

Merchandising at the point of sale: differential effect of end of aisle and islands



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Summary Merchandising at point of sale comprises a set of techniques aimed at encouraging the purchase at the point of sale. This paper analyzes the impact on sales of two of these techniques, especially used in the context of non-specialized food stores and rarely distinguished in academic research: (1) the presentation of product in the ends of the aisles or main aisles, leading from the side aisle access and, (2) the presentation of the product in islands within the main aisles. This research combines cross-sectional and longitudinal data and analyzes specific information on sales and commercial stimulus for all references in two large categories of products from a hypermarket over ten weeks. Results show that both the ends of aisle and the islands have a positive effect on sales and their relative importance depends on the nature of the category analyzed. There are also greater synergies between ends of aisle and price promotions. Finally, the results provide some evidence into the impact of the extension or termination of these merchandising stimuli.

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Introduction

According to the AMA (American Marketing Association), merchandising is a wide term that encompasses promotional activities run by the manufacturer in the form of special presentations that take place within establishments, as well as initiatives run by the retailer to make the product stand out.

In any case, merchandising refers to commercial actions at the point of sale aimed to stimulate customers' purchases as soon as they enter the establishment. Traditionally, it was conceived as a way to motivate the purchase with the highest benefit-cost ratio (Buttle, 1984).

The manufacturer's and retailer's reliance on merchandising actions has been growing over the past few years. For instance, in the Spanish market the investment in this communication technique shows an increase of 0.7%, when the average variation in communication and publicity has been −9.9% (Infodex, 2013). This increasing interest in merchandising can be credited to current studies

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that show that unplanned purchases make up between 46 and 70% of total purchases (Bezawada et al., 2009; Inman et al., 2009; Bell et al., 2011). That is, there are purchases that are decided at the store and thus, are very influenced by commercial incentives that arise in it. Thus, from the manufacturer's point of view, the growing competition in the shelves at the point of sale, aggravated with the increasing development of private label (up to a market share of 43.5% in packaged food, according to AC Nielsen, 2013), makes merchandising initiatives very useful actions to increase the visibility and attraction of their brands at the point of sale. Similarly, from the point of view of the retailer, increased competition between hypermarkets, reflected in their increasing number and the falling demands (AC Nielsen, 2013), involves not only the need to enhance the attraction to the stores, but also the need to develop merchandising initiatives which could achieve the best possible performance from customers visit.

Several previous academic contributions have approached the effect of merchandising initiatives on consumer behavior and market response (Chevalier, 1975; Buttle, 1984; Gupta, 1988; Bolton, 1989; Narasimhan et al., 1996; Shankar and Krishnamurthi, 1996; Little, 1998; Van Heerde et al., 2000, 2004; Chan et al., 2008; Bezawada et al., 2009; Inman et al., 2009). However, the role of merchandising is usually analyzed in an aggregate manner as a special presentation within the point of sale (display). In addition, it is usually studied in a collateral form together with an interpretation of external communication stimulus added to the point of sale (feature), with special attention to the effect of price and product promotions in its usual sense. Some studies have explored separate analysis of different promotions and external communication stimuli at point of sale, such as flyers, coupons, ads, etc. (Bawa, 1996; Gijsbrechts et al., 2003; Zhang et al., 2009; Bezawada et al., 2009). However, the effort to analyze the impact of various merchandising initiatives disaggregated manner has been much more limited, despite having been identified as an important issue (Buttle, 1984; Ailawadi et al., 2009; Shankar et al., 2011). The difficulty to collect precise data may underlie this lack of studies.

We seek to contribute in this regard, by using separately and comparatively the effect on sales of various merchandising initiatives. Specifically, we focus on two very common initiatives at the point of sale: the presentation of the product in ends of aisle and the presentation of the product in islands within the main aisles. In addition to the comparison in the impact of both these initiatives, we also discuss the interaction with promotional incentives and potential synergies that this combination may causes. Not surprisingly, the role of merchandising to support promotional campaigns has been repeatedly pointed out in previous academic literature (Bolton, 1989; Ailawadi et al., 2006). Additionally, the temporary effects are also considered in these stimuli, considering possible effects of diffusion, saturation or inertia commonly referred to in the literature on the market response to commercial incentives (Van Heerde et al., 2000, 2004; Haans and Gijsbrechts, 2011).

Empirically, we based on weekly data from a hypermarket. This methodology is common in studies that analyze the impact of commercial incentives on sales of a product category (Little, 1998; Kopalle et al., 1999; Van Heerde et al.,

2000, 2004; Pauwels et al., 2002). However, most studies put much stress on the longitudinal variation, what it means, they focus on temporary variations in product categories established in a closed way, that is, with very few references and very similar to each other (Van Heerde et al., 2004; Ailawadi et al., 2007). Instead, we put the attention on the transversal variations, it is, we consider a shorter sales history but in a wide category comprising many references. This quantification of effects through many references involves that the dependent variable of interest is formalized in relative terms rather than in absolute, it is said, it is considered the variation sales instead of sales (Van Heerde et al., 2000, 2004).

The main contribution of this paper is to perform a first theoretical and empirical approach to the role of the ends of aisle and islands to stimulate purchases at the point of sale. As noted previously, the previous literature has barely differentiated merchandising initiatives and less ends of aisle and islands, to study their impact on demand, even though the need for studies in this line has been noted in recent years (Ailawadi et al., 2009; Shankar et al., 2011). The results of this study not only show that these techniques have a different impact on the purchasing decisions of consumers, but that the impact evolves differently depending on its duration, its combination with other promotional incentives or product category affected.

Then, we make a review of the previous literature concerning to the effects of merchandising on the market response leading to the formulation of hypotheses. Subsequently, we detail the methodology used in the empirical analysis and we describe the analysis and results. Finally, we discuss the main conclusions and implications of our study to managers and researchers.

Previous literature review and working hypotheses

Effects of end of aisle and island on market response

Several studies have confirmed that using merchandising techniques in the store can stimulate sales of a product (Chevalier, 1975; Wilkinson et al., 1982; Bemmar and Mouchoux, 1991; Narasimhan et al., 1996; Inman et al., 2009; Bezawada et al., 2009). This phenomenon is perfectly logical from the perspective of consumer behavior. For example, The Integrated Theory of Consumer Behavior by Sheth (1983) distinguished a previous planning that includes the selection of stores and a later phase focused on behavior at the point of sale. This last phase shows that consumers may change initially planned purchases or deciding new purchases during their visit and that stimulus at the store can influence these changes significantly (Cricq and Bruel, 1975; Díez-De Castro et al., 2006). Its importance increases if it is taken into account the proportion of unplanned purchases tend to be increasing (Bezawada et al., 2009; Inman et al., 2009; Bell et al., 2011). These merchandising techniques influence the early stages of the formation of the choice of purchase: exhibition, knowledge and perception (Evan et al., 2006; Armstrong and Kotler, 2007), obtaining a higher probability that the product was taken into consideration,

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