

# Impact of Merchandising on Customer satisfaction and thereby on Retailers' sale - A study in selected Malls of Jabalpur and Gwalior city.

Deepak Tiwari, Dr. Supriti Dubey, Dr. P.K.Chopra, Mansi Jain

**Abstract**— Product's merchandising at the store is an important facet as it not only affects the Retailers' sale but also the customer satisfaction. As it is quite evident that the products displayed by the manufacturers through advertisement or by the stores itself in the display area catches more eyeballs amongst the shoppers and when they find it available at the time of purchases, they make happy purchases and thus this increases the satisfaction which furthermore, results in good sale. Inappropriate display of product causes a negative impact on retailer's sale, also creates severe dissatisfaction in customer while going for shopping. The study evaluated the role of merchandising in escalating the customer's footfalls & satisfaction and thereby on Retailer's sale. A descriptive survey design was adopted for the study and for this a self designed questionnaire was used to collect the primary insight from the sample of 200 respondents including retailer and shopper of both the cities. In that on street questionnaire, the retailers and consumers were asked for their opinion about Stores' merchandising. The collected data were then analyzed through Pearson's correlation and the Independent t- test to test the hypothesis. For the present study the researchers find that the majority of retail stores understands the importance of merchandising and consider it important for customer's satisfaction and their margin.

**Index Terms**—Customer, Customer satisfaction, Retailers, Retailers' margin, Merchandising etc.

## I. INTRODUCTION

As we all know that merchandising is the array of products in a physical or online store to exploit the sales. The purpose of merchandising is to lock the sale after advertising campaigns bring customers into the store. Good merchandising helps in making the selling process simpler, boosting the buying experience for consumers, frees up the time of consumers' and drives sales growth. Merchandising is the course of action of presenting products for sale in a retail environment in the way that it can influence shoppers' buying decisions. In this we determine the optimal shelf location for each product, structure eye-catching displays that catch the attention of potential buyers, and using signage etc. to provide pricing and other product information. Merchandising also involves the

collection of the proper product mix to carry in the store. It includes special pricing and promotions also.

To get success in the highly competitive retail environment, it is necessary that how well retailers are able to fulfill a number of major business objectives. To enhance the sales opportunities, retailers must have to make sure that the right product is displayed on the shelf and available for the customer at the right time. Shelf management and inventory management are presenting a challenge for the organized retailers, as there are great difficulties in keeping product in stock because this is the time of the rapid pace of product innovation and short product life cycle, thus retailers must deal with the regular release of 'new and improved' versions of different products. So as to ensure repeat customers and to develop a constantly growing loyal customer base, the retailers must convey a differentiated, consistent, and positive customer experience. It is critical today as consumers have so many shopping options, i.e. from major departmental stores and boutique shops to a world of online retailers. Whenever a customer visits a mall he makes minute observations and makes purchase decisions after satisfying himself/herself. Improper display of the product and inadequate stock level creates dissatisfaction which further results in missed opportunity and sales. Now a times Gwalior and Jabalpur cities are growing very fast and becoming new hot spots of Mall's culture, the problems due to improper merchandising is shooting up and thus causing trouble to both the retailer and consumer, which ultimately makes impact on the retailer's sale or profit. Proper technique of merchandising is a must to overcome this situation.

The purpose of this study is to find the role and importance of merchandising in the increase/decrease of satisfaction level of shoppers while shopping and thereby increases/decreases in the retailers' margin. In particular, this research focuses three questions; A) Does the customer gets the same what he/she is looking for?, B) Does the proper merchandising will increase the shopper satisfaction? C) Does the proper merchandising will increase the profitability of retailers'?

The present study is based on investigating the problems associated with the display of product whether it is subsequent to the manufacturer level promotions or the store level promotion itself and current inventory management practices to increase the customer's satisfaction and retailer's margin of profit by increased foot-fall. The paper is organized in the following manner; firstly, a short overview of previous research findings on responses to Product's display and inventory management measures is specified. The next consideration is paid for the adopted research methodology

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and data collection. The analyses of response and preference and the results are described in the next section. The paper ended with conclusions.

## II. LITERATURE REVIEW

In general, merchandising techniques include displaying related merchandise together, simple and spotless displays, ample walkway space, well-stocked shelf and important featuring of promotional items. This research is based on the need of developing a methodology by which we can help retailers in the product's display and stock management so that they can increase customers' satisfaction and which thereby increase the sales. Retailers are time and again using computer based retail planograms to simplify their work of inventory control. We position this research in two ways. Firstly, we discuss the literature on why display management and management of stocks are critical for a store's performance. Next, we will try to talk about our study in the light of past research on measuring store performance and other related studies. In that we provide a brief review of the literature on methods used for assessing sales performance in retail outlets. This is important for our framework also enables retailers to create an estimate of performance measurement.

Literature on integrated marketing communications is enormous, but research pertaining to retailing is precise. Ailawadi et al. (2009) sensibly organize this body of research into producers' promotion decisions, as it relates to retailers, and their promotion, the manufacturer primarily is concerned in using promotions to enhance the performance of its brands, whereas the retailer is more interested in boosting their own sales (Van Heerde and Neslin 2008). There is noteworthy research on trade promotions centers on the level of the monetary savings passed on to the consumers. Some argument supports the impact of pass-through trade promotions; in particular, does a trade promotion by one manufacturer in a specific period influence the promotion of another manufacturer's brand in that particular period (e.g., Moorthy 2005)? A surplus of research investigates the impact of diverse types of promotions on sales and profits, includes the composition of advertising material (Gijsbrechts, Campo, and Goossens 2003). Point of purchase interface and retail unit adornment influence customers either positively or negatively and in turn influence sales (Bajaj et al, 2005 ). The in-store advertising mediums like retail TV and digital signage are some of the important tools used. Dave and Sondhi (2007), in the article on retail digital signage argued that in-store advertising using digital signage can increase sales by targeting the emotions of customers. Point of purchase advertising also improve the sales by displaying brands and providing details to the targeted customers at the time when they are in the mood for shopping, therefore improving the rate of desire purchasing in a retail outlet ( Stern, 1962 ), Retail promotions are another important tool that retailers make use of to attract and reward new clients. Kotler (2003) also defined sales promotions as the incentives, given to the customer, to make a purchase. Promotions also affect a customer to buy sooner or to buy more than they would have otherwise not (Blattberg et al, 1981; Neslin et al, 1985). In their study, Ailawadi et al (2007), found that above 50 per

cent of improved sales in a retail store during a promotion are due to of brand switching within the store. Campbell et al (2009) studied the role of promotion on the retention rate of customers and found that promotions have a positive impact on the retention of loyal customers, these research findings are very well supported by examples of retailers today. According to Kerfoot et al (2003), an efficient product placement strategy can maximize selling opportunities by creating a need, thus converting a browser into a buyer. Larson and DeMarais (1990) in the article on category management suggested that higher sales could be achieved by keeping their shelves fully stocked. Dreze et al (1994) from a series of experiments found that the location or product placement within a display has a significant effect on sales. Bezawada et al (2009), in their study of the impact of display management strategies on demand, propounded that aisle and display placements have noteworthy effects on cross category sales as compared to those influenced by marketing mix variables. Kerfoot et al (2003), in their study also argued that the effective display of a product can increase the sale of complementary or supplementary items to the one already chosen, thus escalating conversions, as well as increasing the average amount spent in a shop.

Research and observation shows that planograms, mainly computer-based, are one of the most noteworthy aspects used to improve the financial performance of a retail outlet and can also be used for inventory control and vendor relation improvement (Levy and Weitz, 1992; Yang and Chen, 1999). Generating planograms is a tricky and time-consuming process because the simplest form of planogram problem is already a multi-knapsack problem, a well-known NP-Hard problem (Martello and Toth, 1990a) which is a bit difficult to solve. The difficulty further increases when we consider other products, i.e. fresh food, clothing and frozen food. This is basically due to their special display requirements and the fact that they do not use normal shelf fits. At present, producing planograms is largely a manual process (there is software assistance available (e.g. Galaxxi, Spaceman) but most are drag-and drop procedures or semi-automated processes which involve significant human interaction) and the shelf space allocation is mainly based on some simple rules.

### Objectives of the study

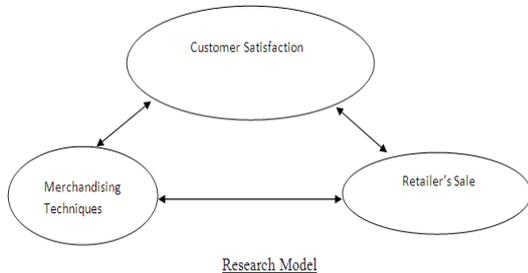
1. To discover the shopping satisfaction of shoppers of Gwalior and Jabalpur
2. To get out the customers and Retailers opinion about merchandising techniques.
3. To evaluate the extent to which the used merchandising techniques affects the customer satisfaction
4. To find out whether the change will increase the number of shoppers or not.
5. To find the relationship between adopted method of merchandising and Retailer's margin.

### Limitations of the Study

1. This study is conducted only in Gwalior and Jabalpur city.
2. Receiving information from the respondents was quite tricky.
3. The opinion of the respondent may be biased.

**Hypotheses:**

- A. There is no significant relationship between adopted merchandising techniques and customer satisfaction in selected Malls.
- B. There is no significant relationship between adopted merchandising techniques and retailers’ sale in selected Malls.
- C. There is no significant relationship between customer satisfaction and retailers’ sale in selected Malls



**III. RESEARCH METHODOLOGY**

The design of the proposed research is descriptive, which is used for describing people who take part in the study, primarily for gaining insights and ideas about the research problem and the variables and issues associated with those problems. For the survey purpose the questionnaire was developed to collect primary data and secondary data is collected using journal, books and internet.

3.1 A Sample size of 400 respondents, as this is a non probability sampling i.e Quota sampling, includes Retailer & Customer (w.r.t. age, sex, employment) from two cities has been taken. The detail of each city with sample size is given in table 3.1. The questionnaires were distributed to the retailers as well as customers.

Table 3.1 (Market area & Sample size)

Cities	Area	Sample
Gwalior	Retailers	50
	Customers	150
Jabalpur	Retailers	50
	Customers	150

3.2 Tools This is a survey work to find out the relationship between merchandising techniques adopted by retailers and satisfaction of customers, also the author tried, to find out the relationship between merchandising techniques and retailers sell. The developed Questionnaire is based on 5point Likert scale with some open ended questions. It is separated into three sections. A first section describes the shoppers’/retailers’ profile. The Second section is constructed on the variables used to analyze the decision of shopper and retailer. In 5 point Likert scale the 1 is used as “strongly disagree” and 5 as “strongly agree”. The Third section based

on open ended questions, to get the more flexible view. To avoid any ambiguity due consideration was undertaken.

3.2.1 Primary Data is collected from respondents through observation and survey. To conduct surveys, questionnaire has been used as it is a quick source of information. With the help of interviews, more profoundly information is collected from retailers and shoppers. Observation method is used to calculate the customer footfalls in retail outlet.

3.2.2 The Secondary Data has been collected using different books, journals, reports, articles and periodicals including World Wide Web.

3.2.3 Tests According to the recognized factor, the primary focus was on customer satisfaction and thereby on retailer’s sale due to applied merchandising techniques by the retailers of different market. The data which was collected by questionnaires is then processed through SPSS. In the first stage the frequencies were calculated for the general information. For the analysis, Pearson Correlation coefficient was used to indicate a one-on-one association between the independent variable (adopted Merchandising technique) and the dependent variable (Satisfaction and Sale), while taking all other factors constant. Independent t- test was used to test the significance between merchandising technique and customer satisfaction, Satisfaction resulting from Merchandising technique and Retailers’ sale.

**IV. DATA ANALYSIS**

Despite several challenges associated with data collection processes, 234 questionnaires were received against a target 300 customers and 80 responses from the 100 retailers. This represents 78% and 80% response rate respectively, which is sufficient for effective representation and a base to derive inferences from the study.



**General character of customers**

The result indicated that the mass of the respondents i.e. 117 (50%) had knowledge about the Malls existence for more than three years while a significant part, i.e. 71 (30.34%) had known the Malls for between 1-2 years. Twenty two percent (19.66%) i.e. 46 had known the entity for less than one year. The greater part of the customers indicated that they had shopped for more than three years while 30% and 20% had shopped for between 1-2 years and less than 1 year

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respectively. This is clearly supported by time-span they had known the Mall. The key factor/s to shop at specific Mall was also tried to find. For the study, the researchers recognized that service quality (90%), variety of products offered (91%) and quality of products offered (91%), and fair pricing (53%) were the key factors measured by most of the respondents. However, other factors such as family persuade (36%), nearness to the bus terminals (28%), availability of parking space (39.8%) and prestige due to shopping from that particular Mall (36.7%) were motivators for choosing that particular Mall. Respondents' ranking of the quality of services offered by the Mall of their choice was also analyzed. From the response, 40% rated the quality of services to be excellent. 30%, 24.2%, 5.4% and 0.3% rated the service quality receives as well, average poor and very poor respectively. This clearly shows that the majority of the respondents were satisfied with the services received.

### General Characteristic of Management staff

From the findings, it is evident that most of the respondents (70%) had attained graduate level education while 10% and 20% had attained senior secondary and post-graduation level education respectively. If we consider the experience of managing staff, over 40% had worked for more than 6 years while 42% and 18% had worked for the supermarket for between 2-5 years and less than 1 year respectively. The response sufficiently represents all sections giving it a wider view of a shopping experience and perspective to the study.

### Use of merchandising techniques

The contribution in the use of merchandising techniques by management staff involved in the study was analyzed. From this analysis, it was clear that the majority (70%) of them used merchandising techniques within the section they supervised and found it useful for customer satisfaction. However, those who did not have a direct exercise of it were 30%. This is a clear indication of merchandising techniques not covering all areas of the Malls.

### Type of merchandising techniques used by Management Staff

As far as Window displays, Shelf displays, Stock displays, Use of signage and Use of promotional items are concerned, the majority (69%) indicated that they had used at least two or more techniques all the time while 28% used two very often, 3% used one technique.

### Effects of used merchandising techniques on Customer Satisfaction

The management staff of the supermarkets was also requested to indicate if they're feeling there was a relationship between the merchandising techniques they used and the customer satisfaction. From their responses, 95% of the respondent indicated that there is a positive link between the used merchandising techniques and customer satisfaction. Only 5% did not perceive the beneficial relationship to exist.

### Effects of Merchandising techniques on Retailer's sale

The responses from management staff indicated that (95%) agreed that use of merchandising techniques resulted in faster purchasing by the customers while 5% were undecided and strongly disagreed of the influence. On window display, 50% agreed while 45.0% strongly agreed rest were undecided or disagreed. . On shelf display, 45% agreed while 50% strongly agreed rest were undecided or disagreed. Almost same result was drawn to stock display, signage and promotional item use.

### Effects of Customer satisfaction on Retailer's sale

The management staff of the supermarkets was also requested to indicate if they're feeling there was a relationship between the customer satisfaction and the Retailer's sale. From their responses, 98% of the respondent indicated that there is a positive link between customer satisfaction and Retailer sale. Only 2% did not perceive the beneficial relationship to exist.

### Correlation Matrix

	Merchandising Techniques	Customer's Satisfaction	Retailer's Margin
Merchandising Techniques	1	0.6	0.795
Customer's Satisfaction	0.6	1	0.643
Retailer's Margin	0.795	0.643	1

\*All coefficients show significance at 0.05

The Pearson correlation coefficient for the relationship between Merchandising Techniques, Customer's Satisfaction, Retailer's margin founds to be  $r = 0.6, 0.795, 0.643$  (  $N = 314$ ) and  $p$  value less than 0.0001 indicating a significant positive correlation.

### Hypotheses Results

Hypotheses	t Value	p Value	Result
A	3.786	$< 0.0001$	Null Hypothesis is rejected
B	4.908	$< 0.0001$	Null Hypothesis is rejected
C	5.765	$< 0.0001$	Null Hypothesis is rejected

The two samples are significantly different and also depicts the result that two tailed  $p$  value is less than 0.0001 which in further is less than the alpha value 0.05. This causes the rejection of null hypotheses. This in turns ultimately predicts that there is a significant relationship between adopted merchandising techniques and customer satisfaction, merchandising techniques and retailers' sale, customer satisfaction and retailers' sale in selected Malls.

## V. CONCLUSION

As it is evident that nowadays king of the market is customer and his/her satisfaction is very important in every type/set-up of business, whether it may be an organized or unorganized retail, whether it is small, medium or large scale business, etc. Due to dramatic changes in the lifestyle, purchasing power, easy loan through banks etc., there is a shift in the satisfaction level of customer's. They assess every small detail when they enter into the outlets and, merchandising technique is an important factor which affects the shopping behavior and retailer's margin. Retailer's financial performance or profitability is very much dependent on the customer satisfaction and to attain this they were trying innovative or traditional merchandising techniques. This study was specifically towards to find the relationship amongst

merchandising, customer satisfaction, retailer's margin and the results were as expected from the fact that merchandising techniques has a significant impact on customer satisfaction which ultimately leads to retailer's sale. A stores manager job became more crucial these days as he has to consistently appraise and improve the merchandising methods. Proper application of merchandising techniques will certainly help stores in customer satisfaction and thereby retailer's sale. Management should try to effectively implement the merchandising techniques to make their customer satisfy as the competition is getting even more intense and a single wrong step will ruin all the efforts.

#### About the Author

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