Impact of In-Store Display on Sales: A Comparative Study among New and Mature Product

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1. Introduction
1.1 Overview

Product sales are positively linked to advertisement. Companies spend millions of dollars on promotional budgets. Many researchers have found the advertisement to play a significant role in boosting sales. The modes of promotion have evolved over the years. Technological advances have opened new avenues in promotions. The first modes of advertisement were only direct selling in the market places or through door-to-door sellers. With the arrival of better communication mediums that provided a large and varied customer base, advertising evolved. Radio and then television provided companies with new mediums to appeal to all types of potential customers. As the world became more and more integrated through the internet, once again a new communication medium was provided to companies to promote their brands and products/services. Meanwhile the importance of personal and direct mediums never diminished or phased out. Companies used channels to appeal to the masses and increase brand and product awareness; whereas direct channels were still used to create pleasant customer experiences and increase recall abilities through interactive sessions and active customer involvement.

Advertisement can be defined as communication about a product, service, company or an idea to an audience. There are two types of advertisements – above the line advertisement and below the line advertisements. Above the line advertisements are impersonal advertisements targeted to the masses using mass media such as television, radio, internet banner ads and forming groups on social networking sites. On the other hand below the line advertisements are more personal and direct. Below the line advertisement is now commonly known as ‘integrated communication approach’ and involves direct selling, electronic mailing, and most recently text messaging on cellular phones. This integrated communication approach enhances recall of brand or product and their unique features. It allows better brand and product awareness through sensual mediums of sight, touch, smell and feel.

Companies focus on below the line promotions at market places, superstores, and large retail stores. These below the line strategies include promotional banners, reducing price of products, offering discounts on bulk purchases and creating interactive kiosks to sell their products. Often free samples are given out at stores or customers are engaged in small activities and games before being given samples. Another way to promote a product is to create huge piles of products at specific locations in the store where they are distinctly visible. Certain products are placed near the counter or check out points to entice shoppers to make impulse purchases at the last minute.
1.2 Problem Statement
In last recent years, the large increase in the number of superstores and hypermarkets has been observed. Marketers have increased the focus towards the brands visibility in these huge stores. However the local general stores and shops also possess the same importance as the superstores and hypermarkets. In this research the importance of display size, location and point of sale materials have been observed at the general stores and shops. These effects are measured in terms of unit sales per week, pre and post display enhancement. The effects are compared among new and mature product. Where new product is Sun Light and mature is Surf Excel, both products fall in detergent powder category.

1.3 Objective
The objective of this study is to identify the effects of display enhancements on the unit sales of mature and new products and to analyze the significance of these effects at local area shops and general stores.

1.4 Hypotheses:
Following are the proposed hypotheses for this research:
H1. Increase in display size will increase sales significantly
H2. Product placement in sighting (within category) will increase sales significantly
H3. Using point of sales material on shelf will have significant role for increasing sales
H4. Changes in display in terms of size, location and point of sales materials will increase the sales of new product as compare to mature product.

2. Literature Review
Organizations operating their businesses are focusing on the change management approach in order to cater the market alteration. Among the whole business process, the marketing department is the one who has faced much assortment due to the dramatic increase of know-how among the consumers of the products. The consumers of this century are hundred times more intelligent and informed about their rights as a consumer, thus, they demand the products and services up to the mark while instantly evaluating between the products or services of one organization with the other. This habit of consumers have forced the management of organizations to keep a constant focus on what is happening in the industry and about the latest inventions and latest ideas taking position at the market place.

For this reason, marketers are encouraged for strict market analysis in order to have the updated database about the ongoing demands of the consumers. In order to fulfill the diverse needs of the consumers, marketing department of the manufacturing organizations focus on the tactics that could attract consumers the most. Marketing is the process that identifies consumer needs and goes about satisfying them profitably. Advertising and promotion are essential tools of the marketing process, the other main elements being pricing, product (including packaging) and place (including distribution channels). These four elements of the marketing mix need to be used in a manner such that they complement each other, in other words they have to be well integrated. So a high price should be accompanied by a classy product and an exclusive advertisement. If all these elements are well in place the marketing process will be well directed, less wasteful and more successful (Anders on and Duncan 2001).

Marketing is an essential and an unavoidable tool for businesses today. It is important that businesses should be able to market their products well not only to succeed and reap profits but in some cases just to survive. Intense competition, where every competitor aims at increasing their market share by marketing their product more aggressively calls for at least an equally aggressive and effective, campaign just to retain its market share. Marketers have today started diverting increasing sums of their promotional budgets from the conventional out of store techniques to more aggressive in store campaigning. Retailers have responded to this change by adopting more complex shelf display techniques (Egol and Vollmer 2008). Similarly, Benmaor and Mouchoux (1991) in their study found significant increase in shelf space to have a strong positive impact on brand sales.

The promotional activity used by the organizations to market their products and services are those elements that they exhibit to the consumer in such a way that can catch their eyes in the first instance. Promotional activities are applied to attract the potential consumers towards the brand of the organization. Research has proved that the success and the failure of a business venture mainly demands upon the quality and consistency among the promotional activities of a marketed brand (Hvde 2013).
Now a day, businesses are focusing largely on the innovative and influential promotions as they want their products and services to be the best seller in the market. Advertising or rather marketing as a whole is integral to the success of firms across many industries but its importance to the Fast Moving Consumer Good (FMCG) industry is manifold.

This industry is characterized by non-durable consumer goods and low margins owing to intense competition. The firms in FMCG industry are heavily dependent on repeat purchases for their success and profitability. With low margins, and hence lower promotional expenditure, coupled with tough competition means inducing buyers to make repeat purchases is a tough science. Getting the consumer to continue to buy will not only involve brand differentiation but also brand loyalty. This is not just the kind of objective that could be achieved through simple price cuts, which in fact may lead to price wars and poor profitability, but involves extensive market research, ideal marketing mix and a perfect combination of the four P’s to ensure optimum brand positioning.

Point of sales and retailing points are excellent options for these manufacturers to reassert product differences as well as to stimulate and encourage purchases. In traditional stores, there are many options available to attract customers. These options include setting up tall, complex displays of products; information kiosks; free samples; low priced trials of products and interactive activity setups to attract customers.

Consumer based branding, which is imposed on the buyers is usually a failure (Wheeler, Frost, & Weiler, 2011). For this reason, the display size and location for the display of the products is created through a long process of hard work where the employees and the market gurus constantly monitor the target market and identify their needs, demands and accordingly develop plans for the identifying the correct position for the product. The location of a brand is the first thing that a consumer sees, therefore, the promotions and advertisements should be such a kind that can impress the viewers to the maximum extent. Research has shown that taking a decision for developing an effective promotional plan, plays an important role for the prosperous nature of a business venture (Siegert, Gerth, & Rademacher, 2011).

The importance of In-Store Displays (ISD) for the conventional Brick and Mortar store has been the subject of many researches. ISD’s were important to these Brick and Mortar stores because of the potential attraction it generated from buyers in the shopping zone. Chandon et al (2007), Hoyer (1984) and Hech, Dreze and Purk (1994) found that it was essential that stores generated attraction of potential buyers at the point of purchase.

The authors have found this to be important that attention was generated especially for ‘low involvement purchases’, typically FMCGs, since purchase of such categories involved simple rules and in most circumstances buying decisions were made in-store. Low involvement purchases generally include uncustomized products and services that can easily be sold to other customers. The buying capacity of an individual plays a significant role in the purchasing behavior. Similarly, the purchasing behaviour of a consumer not only depends upon the quality of promotion but on the buying power of the person (Michael et al., 2006). It means that before a consumer is motivated to buy a product or a service, they prefer to look into the amount of money he or she have in his or her pocket. Besides, the consume purchasing behaviour reflects the consumer intentions for spending (Chandon, Morwitz, & Reimartz, 2005). Whereas, the buying behaviour of a consumer is largely influenced by the need of having that particular product or service (Thilmany, Bond, & Bond, 2008).

Whenever an individual is offered a favor in the form of a reward, he or she would do anything to avail that reward free. Marketers took advantage of this approach, whereas, scholars found that offering consumers a series or rewards for buying that particular brand has a relationship with the elevated sales of a business (Liu, 2007). It depicts the greedy nature of a human. A consumer would buy an unnecessary product or service in order to get the free present from the management. Hence, the promotion of products and services are actually playing with the minds of the consumers. There are many factors that contribute to enable a consumer for purchasing products, while, research has found display size in the store, price, and convenience as an effective instrument for the purchasing behavior of consumer (Szmigin, Carrigan, & McEachern, 2009).

Furthermore, Dreze, Hoch and Purk (1994) assessed the impact on brand sales of changes in number of brand facings. The evaluation process involved holding the total shelf space constant.

The authors reported that changes in shelf area in the three to fifteen square inch yielded significant results on brand sales. An alteration beyond this range had no significant influence on brand choice and sales. The authors conclude that increases in number of brand and product facings would yield positive effect on brand attention as well as on brand assessment and evaluation; the stronger influence was however noted on brand attention than evaluation.
The positive influence of increased brand facing was however diminishing marginally. So a large part of the effect on buyers’ brand evaluation is related to the attention it generates. Buchanan, Simmons and Blichert (1999) have found that increased facings tend to effect evaluation positively through presumption, because consumer psychology reveals that consumers have a tendency to believe that important products or brands are given prestige in displays. Unplanned category purchases were found to be higher for young and or high income shoppers (Bell, Corston and Knox, 2009). The result was consistent with what Wood (1998) reported. Wood (1998) revealed that educated consumers had a higher inclination to make unplanned category purchases.

These results were used as a means to hypothesize a relation between young and educated customers and the influence of in store marketing on their buying objectives, habits and decisions. Chando et al. (2009) hypothesized that since young and educated consumers are not inclined towards quick and efficient shopping and since they are more willing to trade off between their purchase criteria (rather than be bound by price ranges or strong brand inclination), they are the ones who have depicted high levels of observation and appraisal and hence a higher influence of in store marketing. A goal-oriented customer has a specific shopping list in hand and knows what he wants. The customer’s decisions are already made and although the actual purchases may vary a little, the customer cannot be categorized as undirected. Such customers have already evaluated their needs and what products shall fulfill those needs.

The purchasing behaviour of consumers is influenced by the marketing campaigns largely. Apart from the campaigns, the promotional advertisements play a vital role for driving the mind of a consumer. Visual features leave stronger impacts on the viewer as compared to the theoretical factors mentioned in long paragraphs. Location and the size of a product in the market is the significant element that catches the attention of an individual. Advertisements use small wordings and catchy colours so that it leaves a mark on the intelligence of the consumer. The size of a display counter are designed in such a way that a consumer can recall later on after leaving the advertisement place. A successful promotion is the one, which motivates the consumer to such an extent that they repeated come to buy the same product or the service and they are able to remember the features of the promotion in the later stages.

Ads and displays have been noticed to exert greater influences and a lasting impact when it is better coordinated and less cluttered. Anderson and Simester (2001) and Cho and Chaon (2004) have reported of evidence that exclusive ads were more successful in capturing customer attention, Anderson and Simester (2001) have demonstrated that displays with more products on them are less effective means of increasing market share, Higher level pages, ones at the top of hierarchy feature different product categories and offer only a single brand from each product category as against lower level pages, such as shelf tag displays, that very often feature a variety of competing brands. It is thus expected that featuring a brand at higher level pages such as first screen displays will generate a stronger influence on brand market share than for brands featured at lower level pages where there is a cluster of competing brands that reduces exclusivity of each ad and display. Anderson and Simester (2001) have also highlighted a U shaped correlation between the number of ad displays and the level of product category sales. The authors have found that increasing number of displays resulted in a stronger influence on category sales but the positive impact was outweighed when a large number of products had similar displays leading to a loss in credibility.

3. Research Methods

3.1 Method of Data Collection

In this research primary data has been used. Primary data is the raw data collected or gathered from the original source and which has not been processed (Sekaran, 2000). In this experiment data was collected from shops in terms of unit sales. The unit sales of product, pre and post change in display were recorded then this change in sales is compared in new and mature products in order to identify the effects of display change in products at different life cycle stage.

3.2 Sampling Technique

Selecting the sub population for research purpose within the whole population which can represent the characteristics of total population is known as sampling. Sampling of population is done via different methods in the umbrella of probability and non-probability sampling. In this research, sampling is done through convenience sampling method which comes under non-probability sampling. In this method sample population is chosen which is convenient to access.
3.3 Sample size
In this research the experiment was conducted on 50 different stores in different localities of Karachi, Pakistan, details are attached in appendices.

3.4 Instrument of Data Collection:
Data was collected in form of unit sales in a given period of time i.e. one week.

3.5 Pre-Testing
Pre testing is usually done to get the idea about questionnaire structure and understanding by respondents. In this research, there was no tooling as such used which can be tested prior to conduct whole research. Consumers were buying products as per their regular life style.

3.6 Target Population
Target population is this research is not specific. Consumers who purchase groceries were the target population including male, female, working, non-working, educated, non-educated and all age groups based in Karachi, Pakistan.

3.7 Statistical Technique:
Since the experiment was to analyze the effect of display size, display location and using point of sales materials and to get the result unit sales were recorded pre and post change done on displays. In order to analyze the change and its correlation with the display, paired sample t-test is used through SPSS.

4. Results

4.1 Findings and Interpretation of the results

Table 4.1.1: Paired Samples Correlations

<table>
<thead>
<tr>
<th>Pair</th>
<th>Correlation</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>.965</td>
<td>.000</td>
</tr>
<tr>
<td>Pair 2</td>
<td>.936</td>
<td>.000</td>
</tr>
<tr>
<td>Pair 3</td>
<td>.947</td>
<td>.000</td>
</tr>
<tr>
<td>Pair 4</td>
<td>.822</td>
<td>.000</td>
</tr>
<tr>
<td>Pair 5</td>
<td>.842</td>
<td>.000</td>
</tr>
<tr>
<td>Pair 6</td>
<td>.613</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4.1.1 indicates the significance of correlation between each pair or can be said the significant change in pre and post display changes. The highest correlation i.e. 0.965 found in pre display size and post display size of surf which is a mature product and the lowest correlation i.e. 0.613 found in pre and post point of sale material changes in sunlight display which was a newly launched product at the time of experiment done.

Table 4.1.2: Paired Samples Test

<table>
<thead>
<tr>
<th></th>
<th>Paired Differences</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Std. Error Mean</td>
<td>Lower</td>
<td>Upper</td>
<td></td>
</tr>
<tr>
<td>Pair 1</td>
<td>surf_post_display - surf_pre_display</td>
<td>5.360</td>
<td>8.273</td>
<td>1.170</td>
<td>3.009</td>
</tr>
<tr>
<td>Pair 2</td>
<td>sun_post_display - sun_pre_display</td>
<td>1.740</td>
<td>1.523</td>
<td>.215</td>
<td>1.307</td>
</tr>
<tr>
<td>Pair 3</td>
<td>surf_post_location - surf_pre_location</td>
<td>7.900</td>
<td>9.360</td>
<td>1.324</td>
<td>5.240</td>
</tr>
<tr>
<td>Pair 4</td>
<td>sun_post_location - sun_pre_location</td>
<td>2.660</td>
<td>2.455</td>
<td>.347</td>
<td>1.962</td>
</tr>
<tr>
<td>Pair 5</td>
<td>surf_post_posm - surf_pre_posm</td>
<td>13.160</td>
<td>17.499</td>
<td>2.475</td>
<td>8.187</td>
</tr>
<tr>
<td>Pair 6</td>
<td>sun_post_posm - sun_pre_posm</td>
<td>3.760</td>
<td>4.168</td>
<td>.589</td>
<td>2.576</td>
</tr>
</tbody>
</table>
In table 4.1.2, mean value indicates the change in pre and post display changes per unit per week. If both mature i.e. surf excel and new product i.e. sun light are compared then it can be observed that effects of change in display size, location and point of sale material are seen in both products. However the change in sales of mature product due to changes in displays are greater than change in sales of new product. This difference can also be viewed in terms of standard deviation, where the variability is more found in mature products as compare to new product. Though, variability is there in each change done in display for both mature and new products.

Hypotheses Assessment Summary

Hypotheses Accepted

H5. Increase in display size will increase sales significantly
H6. Product placement in sighting (within category) will increase sales significantly
H7. Using point of sales material on shelf will have significant role for increasing sales.

As per mentioned in findings and results interpretation the above hypotheses are accepted. Increased display sizes, placement of products in sighting and using the point of sales materials have significant effect in increasing the sales of both new and mature products. The result shows the great correlation in pre and post changes in display and it can be said that the increase in sales is due to enhanced display effects.

Hypothesis Rejected

H8. Changes in display in terms of size, location and point of sales materials will increase the sales of new product as compare to mature product. Changes in display have significant effects on sales of both products however if these effects are compared in terms of new and mature products, it was observed that enhancement of display led to increase in sales of mature product higher than new product. So the H4 is rejected.

5. Discussion, Conclusion, Implications and Future

As discussed in the literature, marketing and promotional activities have remained as most crucial factor in the selling of FMCGs, as consumers most of the time pick the product from the shelf which was not planned for purchase. This results in response to in-store displays which attract consumers and make them to take purchase decisions. The ISDs may be done in several ways however, in this research three parameters were used to analyze the display effects. These effects then compared among new and mature products under same category i.e. detergent powder. The mature product was Surf Excel and new product was Sun Light. After testing the effects of display size, location (within category) and point of sale material, it can be proved that these factors had the significant effect on the sales of both new and mature products, which was hypothesized in this research and the H1, H2 and H3 were accepted. However when the results of both new and mature products were compared, it was found that effects of display alterations were more on mature product i.e. enhancing the displays led to increase the sales of mature product higher than new product. Thus H4 was rejected.

It can be concluded from the results that marketing strategies in terms of in-store displays are also applicable at mature product, no matter how old or mature a product is, display size, location and promotional material enhance its sales like new product. In this research the effects of display enhancement are more seen on mature product but it may vary according to product category, usage, popularity and other advertisements by the manufacturing company. These types of researches can be very useful for the FMCGs companies to understand the consumers’ response in the particular country or region and help managers to formulate strategies accordingly. However the research has certain limitations in terms of time duration, which was taken 1 week to observe the impact on sales, also in terms of product categories and limited resources. In future better research can be done by comparing different categories and other variation in display than size, location and point of sale materials. Although these types of researches are mostly applicable on non-durable goods because of the resemblance in PLC curve however the curves of PLC of durable goods have more variations depending on the product category and useful life.

References


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