



# **MK 322 Retail Management**

## **Chapter 17: Store Layout, Design, Visual Merchandising Part II**

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# Space Management

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# Space Management

- The space within stores and on stores' shelves and fixtures is a scarce resource
- **Key resource decisions involved**
  - 1. The allocation of store space to merchandise categories and brands**
  - 2. The location of departments or merchandise categories in the store**
  - 3. The size of the store**

# Space Allocated to Merchandise Categories

- Some factors retailers consider when deciding how much floor or shelf space to allocate to merchandise categories and brands are
  1. **The productivity of the allocated space - sales per square foot and sales per linear foot**
  2. **The merchandise's inventory turnover- GMROI**
  3. **The impact on overall store sales**
  4. **The display needs for merchandise**

# Location of Merchandise

## Categories and Design Elements

- Demand/destination merchandise refers to products that customers have decided to buy before entering the store
- Decompression zone – welcomed with introductory displays, graphics
- Turn right – strike zone – creates customers first impression and store offering; retailers display new and compelling merchandise

# Location of Merchandise Categories and Design Elements



# Impulse Merchandise

- Impulse products or products purchased without planning
- Fragrance, cosmetic in department stores, magazines in supermarkets are located near the front of store
- Seen by everyone and draw people





# Impulse Merchandise



The checkout counter at a supermarket is an ideal place to display merchandise typically bought on impulse.



# Demand and Promotional Merchandise

- Placed at back left-hand corner of store
- So pulls customer through store, increase visibility of other products along the way
- Supermarkets put eggs, milk, bread at the back
- Beauty salons, children's merchandise, furniture are demand or destination thus located in light traffic areas

# Demand and Promotional Merchandise



# Special Merchandise

- Located in light traffic areas
- Examples include women's lingerie in remote areas for private shopping experience
- Furniture
- Curtains need significant wall space
- Shoes require easily accessible storage rooms

# Special Merchandise





# Special Merchandise



# Category Adjacencies

- Complement categories next to each other
- Cross selling encouraged
- For example Aisle of cereal with end cap of fresh bananas
- Beer and Diapers?
- Halo Effect-placing packaged goods next to healthy vegetables

# Category Adjacencies



Retailers often place complementary products, such as chips and salsa, next to each other to increase unplanned purchases.



# Location of Merchandise Within a Category

- Retailers use variety of rules
- Limited problem solving or habitual decision making?
- **Supermarkets display merchandise on four shelves**
  - Most profitable on 3rd shelf- eye level
  - Smaller group appeals-4th shelf
  - Bulky items on bottom shelf

# Location of Merchandise Within a Category

- For cereal 2nd shelf prime location for profitable cereal brands – children?



# Location of Merchandise Within a Category



## EXHIBIT 17-5

Grocery stores are experimenting in their produce departments with unconventional product placements.



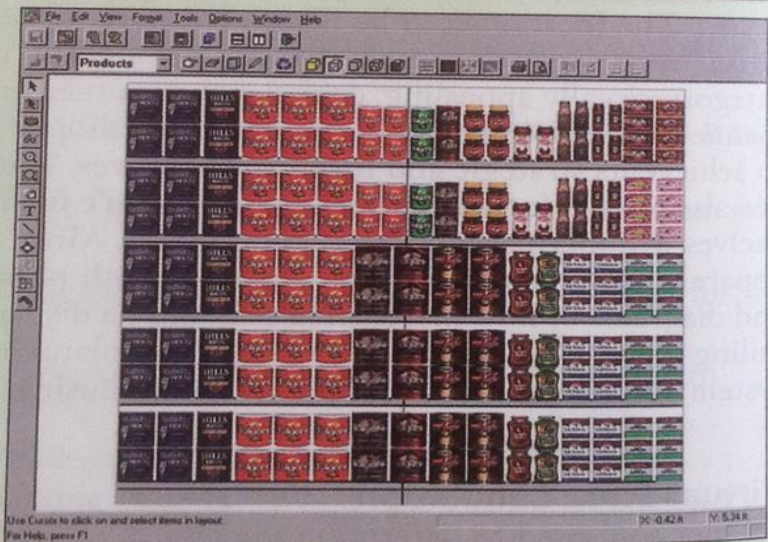
# Location of Merchandise Within a Category

Exhibit 17-5 illustrates some innovative merchandise placement options with which some grocery stores are experimenting. Specifically,

1. Place the dairy section near the front of the store so it is associated with fresh produce.
2. Place other premium products in the produce section since it makes them sell better.
3. Redesign carts to have a second shelf for fragile items and have holders for flowers and coffee.
4. Have a small milk refrigerator near the front door to better compete with convenience stores.
5. Use wood and other natural materials to induce a “farm-fresh” image.
6. Group ingredients necessary for a particular recipe, such as tomatoes, basil, and mozzarella cheese.
7. Place some organic products together and others throughout the produce section to experiment with how they sell best.
8. Bananas should go at the back of the produce department to get customers to walk through the entire department.
9. To simulate farmers’ markets, add some low shelves so customers can see through the department and locate various-colored items adjacent to each other for visual appeal.

# Planograms

- Is a diagram that shows how and where specific SKU should be placed on retail shelves or displays to increase customer purchases



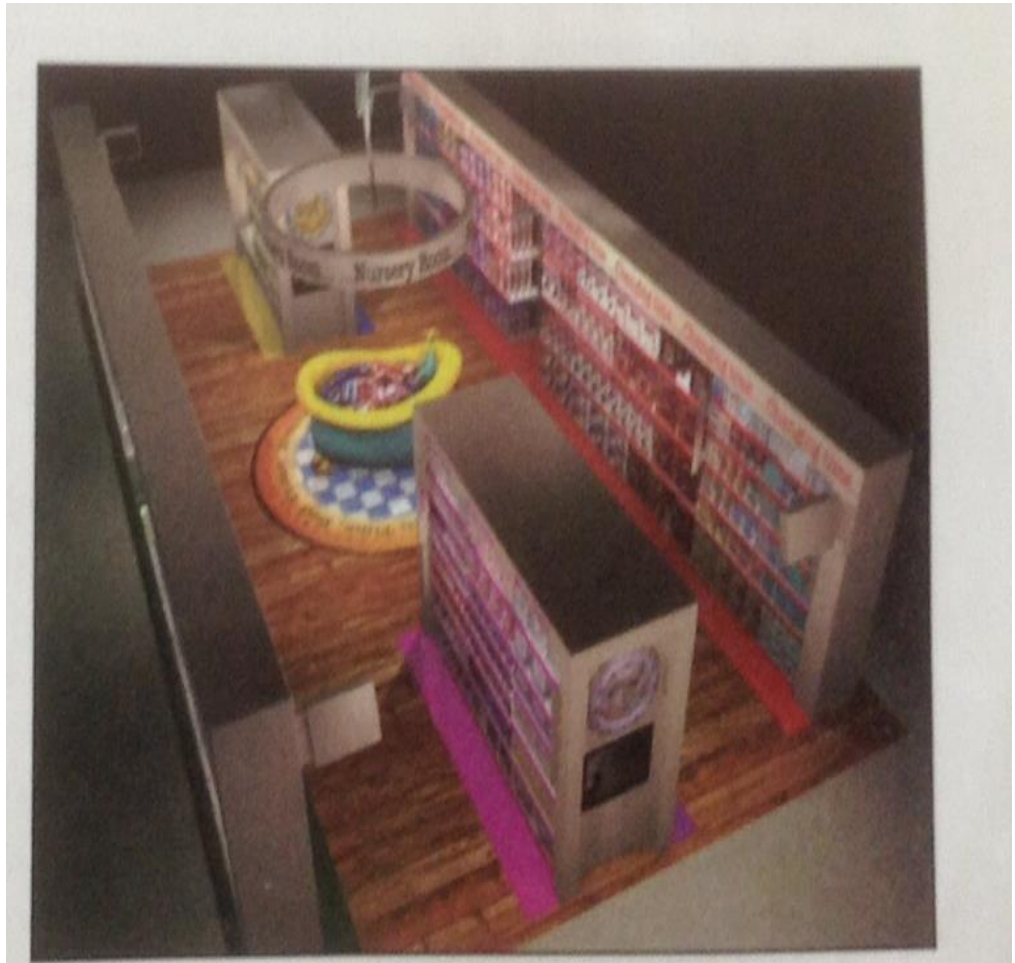
Marks & Spencer in the United Kingdom uses a planogram system developed by SAS to develop a layout that maximizes space productivity.



# Visual-Store Simulation

- Tool used to determine the effects of placing merchandise in different areas of the store and evaluating the profit potential for new item

# Visual-Store Simulation

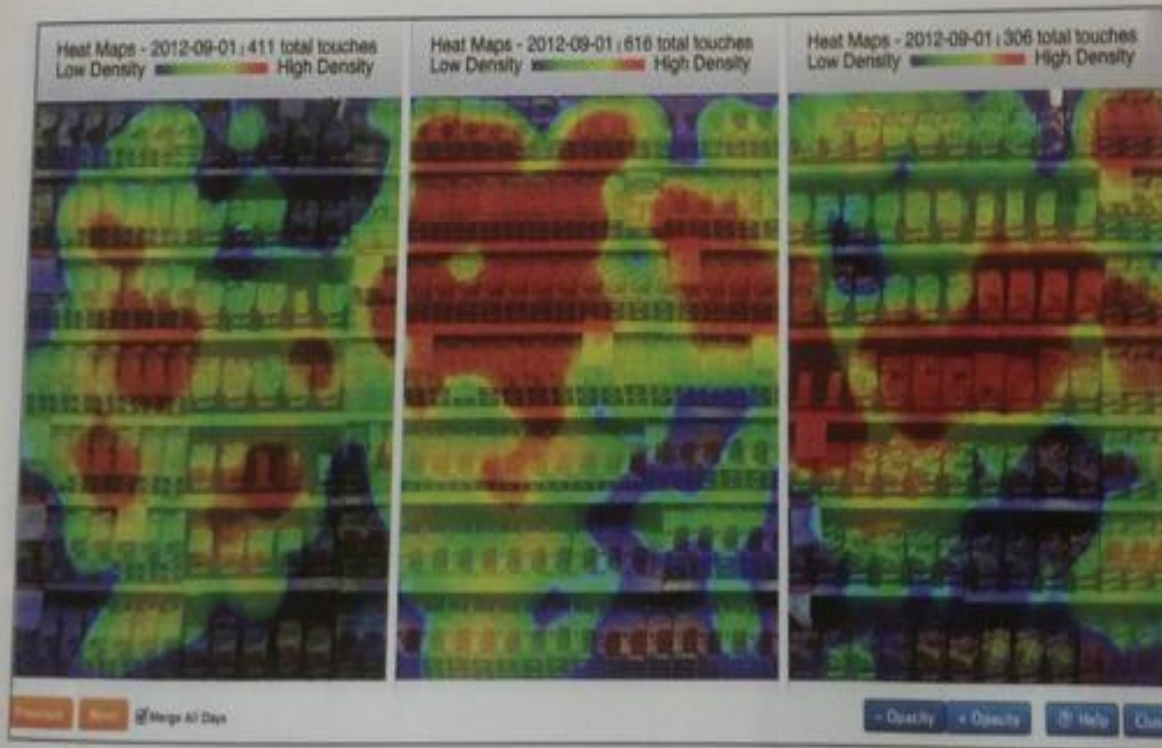


Kimberly-Clark is using virtual-store software that uses a retina-tracking device to record a customer's glances. The information obtained from the software enables the retailer to get a fast read on new-product designs and displays without having to conduct real-life tests in the early stages of product development.

# Videotaping Consumers

- Research method used to assess customer reactions to planograms, involve tracking customers in actual store environments
- Videotaping consumer moments
- Microsoft's Kinetic sensors provide a less intrusive option

# Videotaping Consumers



Using Microsoft Kinect sensors, firms like Shopperception create heatmaps of shopper interactions with the products (touches, pickups, and returns). The red represents the hot zones where shoppers touch the most, yellow less, and blue not at all.



# Determining Store Size

- Bigger not always better
- SKU availability
- Walmart vs Walmart Express
- Are modern consumers – time pressured, price-sensitive, and computer savvy – likely to embrace new, smaller store format that cannot offer one-stop shopping or unlimited selection?

# Determining Store Size



Small-format "Walmart Express" stores (left) target urban markets with shops that are approximately one-third the square footage of a regular Walmart location (right).



**That's All Folks**