Investigation the Relationship between Visual Merchandising and Customer Buying Decision Case Study: Isfahan Hypermarkets

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Abstract

Hypermarket industry is one of the newest and fast growing industries in Iran and especially in city of Isfahan. At the present time, there are More than 5 Hypermarkets working in Isfahan owned by various companies. One of the important factors which make them able gain competitive advantage is merchandising. It has become an essential factor in the retailing industry especially in Hypermarket industry. Therefore, the main aim of this study is to identify the relationship between visual Merchandising and Customer Buying Decision. To investigate this hypothesis 940 questionnaires dispersed among visitors of 5 hypermarkets at city of Isfahan. Finally the data was analyzed by Structural Equation Modeling (SEM) method and AMOS software. The results indicate that there is a strong relationship between visual Merchandising and Customer Buying Decision.

Key words: Visual merchandising, Customer Buying Decision, Hypermarket, retailing, SEM

1. Introduction

Hypermarket industry is one of the newest and also fastest growing industries in the Iran economy. It is a new concept that was brought into Iran at 2010. Gradually hypermarkets could capture a large number of customers all over Iran and especially in Isfahan. They work in a very dynamic industry and competitive environment (Wanninayake, 2007).

Visual merchandising plays a vital role in retailing. Merchandising is that which enhances products, supports brands, increases traffic and sales, adds visual excitement by way of strategically located and illuminated focal destinations in an environment, typically businesses and stores, defines and advertises overall personality and image. It is everything which the
customers see and feel within a store that attracts their interest and desire (Parker, 2011). Visual merchandising is one of the major marketing tactics used by retailers to attract customers to the stores (Charles, 2012). It will provoke them to select the most liked store, spend more time in it, and examine the products and finally resulting in a purchase.

In the other words it is a significant factor for a Hypermarket to attract and capture the customers’ attention towards the products and induce them to purchase them. An effective visual merchandising strategy will help the Hypermarkets to be ahead of the competitors within the industry and have a competitive edge in this competitive environment (Parker, 2011). In the other way, Customer Buying Decision can be influenced by merchandising. It is driven by a combination of attitude toward the purchase behaviour and a set of principled beliefs and motivations toward behaviour (Burnkrant and Page Jr., 1982).

Therefore, by choosing five hypermarkets at city of Isfahan as statistic samples, we aim to investigate the relationship between visual merchandising and customer decision making.

2. Literature Review

2.1. Visual merchandising

Visual merchandising is a vital factor often mentioned in the success or failure of retail store (Charles, 2012). It affects on customer relations. Visual merchandising can be defined as everything the customer observes, both exterior and interior, that creates a positive image of a business and results in attention, interest, desire and reaction on the part of the customer (Bastow -Shoop et al., 1991). Another definition for visual merchandising was conducted by Walters and Waters (1987) as: "it is an activity which coordinates effective merchandise selection with effective merchandise display" (Cited in Kerfoot et al., 2003). Kerfoot et al. (2003) stated that “visual merchandising is therefore concerned with both how the product and/ or brand is visually communicated to the customer and also whether this message is decoded ‘appropriately’ – in this context affecting a positive psychological or behavioral outcome, ultimately leading to purchase.” Schimp (1990) has defined the role of visual merchandising as to;

1. Create awareness among customers about a product and provide relevant information about it;
2. Remind customers about the benefits of a product and of its availability;
3. Encourage customers to buy a particular product or brand;
4. Maximize the utilization of space, while at the same time making the buying experience as easy as possible for customers;
5. Reinforce the retailer’s communications campaign;
6. Assist the customers in locating, evaluating and selecting a product (Maria Pilar Martínez-Ruiz, Analsabel Jiménez-Zarco, AliciaIzquierdo-Yusta, 2010).
By considering relevant literatures, we conclude that visual merchandising is a vital factor which helps customers in selecting the products they look for, retain them for a longer time and encourage them to purchase items without a prior plan and in an impulsive situation.

Visual merchandising includes some elements such as: Store layout, Colour, Lighting, and Cleanliness. These factors extracted from some researches. We added some new variables to these factors: height of the shelves and store design.

2.1.1. Store layout:

Borges (2003) in his study mentioned that the store layout is a huge and important duty for retail managers. The complicacy of this task lies in the relationship between categories on sale as well as on the impact that it produces on the consumer spatial behaviour and in-store traffic. The results of a survey conducted proved that layout has a huge influence on customers and that the customers want stores to spend whatever it takes to create a layout that minimizes wasted steps and motion in the shopping process. In addition it was stated that the shoppers attach more influence to the floor of a store than to its ceiling.

2.1.2. Colour:

Many researchers have been carried out throughout the years in relation to physiological effects of colour. Gerard (1957) states that in general, warm colors (red and yellow) have produced opposite psychological effects than cool colors (blue and green), which are opposite on the color spectrum. For example, red or warm colors have been found to be associated with increased blood pressure, respiratory rate, eye blink frequency (Cited in: Bellizzi and Hite, 1992). Bellizzi et al. (1983) investigated the effects of color in retail store design. The results indicated that despite color preferences, subjects were physically drawn to warm color (yellow and red) environments, but they paradoxically found red retail environments to be generally ungraceful, negative, tense, and less attractive than cool color retail (green and blue) environments (Cited in: Bellizzi and Hite, 1992).

2.1.3. Lighting:

Mehrabian (1976) “believed that lighting was an important factor in the environment’s impact on individuals because brightly lit rooms are more absorbing than dimly lit ones”. (Cited in: Summers and Herbert, 1999) Areni and Kim (1994) found that consumers examined and observed significantly more items under ‘bright’ lighting conditions than under “soft” lighting conditions. With reference to the Illuminating Engineering Society of North America (IES) Handbook states that “the primary goals common in the lighting of merchandise are to attract the consumer, to initiate purchases, and to facilitate the completion of the sale” (Rea, 1993). The IES suggests that when illuminating merchandising spaces, lighting designers should create a “pleasant, absorbing and secure environment to do business” (Rea, 1993, p. 591). Shoppers are highly supersensitive to the way a store is lit.
2.1.4. Cleanliness:

A study by Carpenter and Moore (2006) shows that both frequent and occasional customers across all retail formats indicated cleanliness as the single most important store attribute. Yun and Good (2007) declared that shopping in an eye catching clean store might generate image perceptions of cleanliness, satisfaction, or luxury. Therefore, store image (e.g. a store is clean, secure, friendly, etc.) can be illustrated as the overall look of a store and the series of mental pictures and feelings it arises within the consumer.

2.1.5. Store design or store Display:

It was also understand in Bellizzi and Hite (1992) study that displays are one of the most influential elements on unplanned purchases. Gutierrez (2004) has found in his research regarding impulse purchases that “the presence of environmental stimulation variables such as ....... or attractive store displays may moderate the choice of search strategies and making impulse purchases”. Abratt and Goodey (1990) stated that point of purchase displays can be very useful in stimulating sales.

2.1.6. Height of shelves:

Davies and Tilley (2004) explained that product shelving has an important influence on consumer behaviour. It includes both the height of shelves at which the products are displayed and the number of rows in each shelves can influence the sales of products. Careful and intentional placing of high demand lines can help to attract customers to parts of the shop: while impulse purchase lines with high profit margins should be placed alongside the everyday goods. Products should be accessible to the customers.

2.2. Customer Buying Decision

Customer Buying Decision is driven by a combination of attitude toward the purchase behaviour and a set of principled beliefs and motivations toward the behaviour (Burnkrant and Page Jr., 1982). In retail, intentions are usually determined by a willingness to stay in the store, willingness to repurchase, willingness to purchase more in the future, and willingness to recommend the store to others (Baker et al., 2002). Retailers are interested in understanding Customer Buying of products and/or services, their willingness to return to the store and to transfer good word-of-mouth to friend customers.

According to Grewal et al. (2003) retailers have a definite amount of control over factors that influence consumers’ buying decisions. Having an acceptable product assortment where and when the customer wants it and priced at the level they are expecting to pay is vital to any retail strategy. Yet other, less obvious factors can influence customers’ purchase decisions. Stores can creatively use a store’s layout or manner of displaying merchandise to modify
customers’ perceptions of the atmosphere. Alternatively, they can enhance the store’s atmospherics through visual communications (signs and graphics), lighting, colors, and even smells.

3. Conceptual model and Hypotheses

By considering previous researches finally we assume that there is a relationship between visual merchandising and customer buying decision. To test this hypothesis, the visual merchandising is measured by its 6 factors and customer buying decision is measured by asking the behavior of customers. In the following the main and other hypothesis are presented:

Main hypothesis: There is a relationship between visual merchandising and customer buying decision.

H1: There is a positive relationship between store layout and Customer Buying Decision in hypermarkets.

H2: There is a positive relationship between using colour and Customer Buying Decision in hypermarkets.

H3: There is a positive relationship between Lighting and Customer Buying Decision in hypermarkets.

H4: There is a positive relationship between Cleanliness and Customer Buying Decision in hypermarkets.

H5: There is a positive relationship between Store design (store Display) and Customer Buying Decision in hypermarkets.

H6: There is a positive relationship between Height of shelves and Customer Buying Decision in hypermarkets. Figure 1 presents the conceptual model of this study.
4. Methodology

4.1. Hypermarkets: case study

Hypermarket industry is a very volatile one in Iran. Especially, five hypermarkets have established by using huge investment in city of Isfahan. There is a high degree of competition among these companies within this industry to stand out from the rest and to be the best Hypermarket chain of the country.

Isfahan is the highly industrialized and dynamic city in Iran. The frequency of visiting Hypermarkets would be very high in Isfahan as a hug city.
4.2. Sampling and measurement

To test the main hypothesis of this research, we conducted a questionnaire. The questionnaires dispersed among 5 hypermarket customers in Isfahan, randomly. At last, 600 questionnaires were ready for analyzing. This questionnaire assessed both variables of visual merchandising and customer buying decision via 30 questions. 0.83 of Cronbach's alpha offered good reliability of the questionnaire which was conducted by investigating previous researches and experts' suggestions. All questions were rated on a five-point Likert scale from "strongly disagree" (1) to "strongly agree" (5).

4.3. Data collection

940 questionnaires were dispersed randomly among 900 visitors of five hypermarkets of Isfahan. We can separate visitors considering two groups: who purchase and who do not purchase. We aimed to use both groups. Therefore, some questioners were collected after paying the charges by buyers, and some others collected from who went out of the stores without any purchase. Finally 600 questionnaires were usable.

5. Results and Discussion

In this study, we used Structural Equation Modeling (SEM) for data analysis. The conceptualized model of research ran as a structural model to test the hypothesis regarding the relationship between visual merchandising and customer buyer decision within five hypermarkets of Isfahan. The method of maximum likelihood estimation in Amos Graphics 18 software was used to analyze data and hypotheses testing.

To assess the fitness of the proposed model, the overall model $C_{min}$ or chi-square, the Tucker – Lewis index (TLI), the comparative fit index (CFI), and the root mean square error of approximation (RMSEA) and goodness of fit index (GFI) were used (Byrne, 2010). After refining the initial structure model, all of the goodness of fit indexes was found within acceptable range indicating that the model of the research has a good fitness (Byrne, 2010). In order to test the hypotheses and casual path, the maximum likelihood methods is used (Table 1).

Table 1. Goodness indicates of the structural model

<table>
<thead>
<tr>
<th>Indicators</th>
<th>CFI</th>
<th>GFI</th>
<th>RMSEA</th>
<th>TLI</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>0.954</td>
<td>0.975</td>
<td>0.027</td>
<td>0.986</td>
<td>0.005</td>
</tr>
</tbody>
</table>

In analyzing the results of the structural model, we found that all proposed relationships received strong support. Standard regression weights of all hypothesized paths are presented in table 2.
In the main hypothesis, we predicted positive relationship between visual merchandising and customer buying decision of hypermarkets. This hypothesis strongly accepted by $\beta=0.89$. It means that by improving visual merchandising we can develop customer buyer decision. These results are consisted with previous researches. For example, the results of multiple sample analyses show that the economic route is stronger for high experience shoppers as well as for high-priced stores (Ligas and Chaudhuri, 2012). Moreover, the results indicated that shoppers were more likely to pick items from the incomplete stack, when the degree of known difference between product items was relatively low or non-existing (Razzouk, Seitz and Kumar, 2001). Marketers and managers can widely apply visual merchandising, for increase customers' purchase and finally improve their profitability.

Other hypotheses were accepted too. The results are shown in table 2.

**Table 2 hypotheses testing**

<table>
<thead>
<tr>
<th>hypothesis</th>
<th>variable</th>
<th>$\beta$</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>store layout</td>
<td>0.81</td>
<td>accepted</td>
</tr>
<tr>
<td>H2</td>
<td>colour</td>
<td>0.65</td>
<td>accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Lighting</td>
<td>0.83</td>
<td>accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Cleanliness</td>
<td>0.89</td>
<td>accepted</td>
</tr>
<tr>
<td>H5</td>
<td>Store design</td>
<td>0.75</td>
<td>accepted</td>
</tr>
<tr>
<td>H6</td>
<td>Height of shelves</td>
<td>0.83</td>
<td>accepted</td>
</tr>
</tbody>
</table>

6. Discussion, Conclusion and Limitations

The main objective of conducting this research was to investigate relationship between visual merchandising and customer buying decision in hypermarkets. The research was focused on the hypermarkets located within Isfahan city. In the detail and more especially the study identified the relationship between the independent variables of Store Layout, Colour, Lighting, Cleanliness, Height of shelves and Store design or display and the dependent variable being customer buying decision.

Our results highlighted that it is important that hypermarket retailers provide a suitable, comfortable and time saving store layout and also clean atmosphere to their customers. They should keep the store floor always clean. It is important to remove discolored and perished products from shelves. More attention should be given to packaged products especially perishable food, fruit and also vegetables and other products. The entire supermarket should be clean with the specified hygienic standards in order to enable the customers to easily access the products without any unpleasant felling and protest. Cleanliness will make a positive affect among customers and encourage them to stay in store longer and to visit the store again. Adequate lighting should be provided in the hypermarket in order to help the customers to
select their rights products, decrease the time wasted and feel relaxation during the shopping time. If the store is well lit customers will desire to examine new products and spend more time in the store. It is more exciting and enjoyable for the shoppers to spend time in a well lit store rather than a darker lit environment. It is vital that there is a tagged name and price attached on shelves for each product in order to make it comfortable for the customers to choose products that they are tending to buy. The products should be arranged in an attractive method with the use of various and eye-catching colors. The retailers should also determine the space given for each product where customers can easily find and get it without a problem and wasting time. The original colour composition that assort with the company trade mark should be outstanding in each hypermarkets to represent the store at a glance. The outer appearance helps to identify the place even a customer is out of city and revisit as daily shoppers. The height and the size of the shelves should be taken into attention when designing the product display. Those should not be too high because the shoppers would linger to check products which above the level of reach. The retailers must also make sure that the shelves have sufficient space in order to display the products in a proper condition.

Because of the competitive environment of hypermarket industry in Isfahan in one hand and the fast growing usage of merchandising as an important integrated marketing communication technique in the other hand, The hypermarkets must take these visual merchandising techniques into consideration when establishing new stores and the retailers and specially their marketing consultants should pay a precise attention to design the merchandising methods with taking consideration of Isfahan and its customers limits to implement merchandising strategy properly supporting it by the marketing strategies.

This research has limitations which should be considered when interpreting the results. when we investigate the relationship between visual merchandising and customers buying decision of the hypermarkets especially in Isfahan we should mention this fact that there are some other variables such as the brand of the products and the culture and the customers life style that have relation with the customers buying decision that investigating this variables and finding their relations to buying decision can be suggested for further studies.

The recommendation for further studies is to investigate the effect of other independent variables such as exist the visitors and selling force of the producers of special brands in the store and also the type of music that is used in the store environment on the customer buying decision.
References


