

Influence of Shelf Space Management on Impulse Buying Behavior of FMCG's Consumers

(A Case Study of Superstores in Karachi)

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Abstract

Consumer behavior is a significant factor to affect organizational planning and policies. This behavior affects many factors like social, cultural, psychological and personal factors. During 2007 to 2012, the private consumption income increased by 130% and retail and wholesale sector has been growing at 5.3% during this period. In case of FMCG's, they analyze these factors to increase their sales volume and to get the competitive advantage over their competitors. Growth of supermarkets and consumers buying patterns are influential factors of increasing sales volume of FMCG'S. Increasing urbanization, technological advancement and marketing tactics increase more contest among these firms.

Most of the supermarket managers now understand the importance of shelf space allocation and its effectiveness on purchase decision of consumer. This study is to evaluate the effectiveness of shelf space allocation and other factors like discounted prices, quality of products and in store facilities on consumer buying behavior. Primary and secondary sources are used for this study. Secondary data is collected from research articles, journals, magazines and newspapers. For collection of primary data, questionnaire is designed for consumers to collect the appropriate data for this research.

The study revealed that mostly consumers buying decisions rely on quality of the product, discounted prices and shelf space allocation. All these factors lead to an improved understanding of the visibility features related to the product and impulse buying decision. Consumer perspective better shelf space management makes the buying decision process more

easy and time saving. Better display and convenient store location serves as more attractive factors for consumer to shop in relax environment.

Keywords: *shelf space management, impulse buying behavior*

Introduction

In this competitive environment, retailer's big challenge is to satisfy customers and operational efficiency, aiming to improve their stores and their financial performance. Significance of retail stores in current marketing and economic environment cannot be denied. Consumer buying behavior, better opportunity to display products and availability of variety of products under one roof are the major factors in growth of supermarkets.

Consumer behavior is a significant factor to affect organizational planning and policies. This behavior is affected by many factors like social, culture, psychological and personal factors. All organizations focused on these characteristics for better planning and to attract consumers. During the last decade growth of super markets and shopping malls in major urban areas decisively influenced the consumer behavior. During 2007 to 2012, the private consumption income increased by 130% and retail and wholesale sector has been growing at 5.3% during this period in Pakistan.

In case of FMCG's they analyze these factors to increase their sales volume and to get the competitive advantage over their competitors. Growth of supermarkets and consumers buying patterns are influential factors of increasing sales volume of FMCG'S. Increasing urbanization, technological advancement and marketing tactics increase more contest among these firms.

In this competitive environment, all the firms struggling to provide high quality products in economic prices and in a good environment to shop are the key success factors. Shelf space refers to the space available in a retail store for a product to sale. As per Markin "the retail store is the bundle of cues messages and suggestions which communicate consumers."

In Pakistan rapid growth of supermarkets in urban areas opens the new fields of research in marketing. Most of the supermarket managers do not understand the importance of shelf space allocation and its effectiveness on purchase decision of consumer. The study is designed to evaluate the effectiveness of shelf space allocation on consumer buying behavior.

Statement of the Problem

In 21st century, the growth of retail super markets creates a complex and competitive marketing environment throughout the world. Shopping from supermarkets indicates the change of consumer buying behavior and their consumption pattern. Shelf space management on these supermarkets is an important factor to influence consumer-buying behavior. Shelf space allocation is likely to affect or reflect the overall sales volume of the product. The propose study is to identifying the different aspects of shelf space management on impulse buying decision of consumers.

Scope of Study

Proper shelf space allocation influences consumer purchase decision in several ways. Shelf space is limited source for retailers to display all the variety of goods available in store therefore for optimum utilization of this space it is necessary to understand the buying behavior of consumer. Buying behavior of consumer is a psychological process in which consumer go through the different stages (1) awareness of need, (2) searching for information, (3) evaluation of alternatives, (4) purchase and (5) post purchase evaluation (Udrescu 2006).

Time factor also is an important factor in all this process so the proper shelf space allocation is the time saving tool for consumer; further it also attracts consumer. The propose study will cover the different aspects of various stakeholders including:

- The marketing personnel will gain knowledge of possible actions needed for creating positive impact of placement of goods to motivate consumer to buy and enhance sales through impulse buying.
- The team of retail outlets will be able to find the impact of placement factor for their products, and making them more attractive and visible to the consumers.

- The study of the significance of shelf space allocation will lead to an improved understanding of the visibility features related to the product. This will help in determining the rate or volume of impulse buying.
- As consumer perspective, better shelf space management makes the buying decision process more easy and time saving. Better display and convenient store location serves as more attractive factors for consumer to shop in relax environment.

Objectives of study

The primary objective of the research is to identify the extent to which shelf space management has impact on impulse buying, and indirectly, sales. Following are the some objectives will cover in this research:

- Find out whether shelf space management results in measureable variations in impulse buying for certain fast-moving consumer goods.
- To identify the certain aspects of better shelf space management.
- To identify whether packaging and visibility of the product that also relate to the impulse buying, have greater role than better shelf space.
- To establish the efficacy and appeal of each of the shelf space aspect like, store location, size of product, design of shelves, price, attractiveness etc.

Research methodology

The primary purpose of this research is to measure the effect of shelf space management and other factors on impulse buying, taking Fast Moving Consumer Goods as the center of investigation for shelf space. The appropriate research will base on primary sources of information. Data will be collected from superstores, consumers and FMCG's marketing departments.

Hypothesis

“Shelf Space management *influences* the impulse buying decisions of consumers in super markets in Karachi.”

Independent variables

- Availability of products
- Shelf design
- Brand
- Price
- In store environment
- Promotion

Dependent variable

Impulse buying behavior

Research Design & Data Collection

Primary and secondary sources are used for this study. Secondary data is collected from research articles and industry reports. In primary data collection, survey technique is to collect the appropriate data for this research. The questionnaire is designed to collect data from consumers. To collect information about store arrangements we are conducting interviews of store managers.

SAMPLING

Superstores

Several superstores are fulfilling consumer needs in all over the city including some chains of supermarkets. For this research, we will focus the chains of stores such as Imtiaz super Market, Chase Value center, Hyper Star, Metro Cash and Carry. All these chains of supermarkets served in different areas of Karachi. Data is collected from all the above chains of stores.

Consumers

Random sampling is used for this study. Questionnaire is designed and filled by the consumers for data collection. 60 responses are collected from the consumers.

Data Analysis

Conventional statistical analytical tools will be used to infer meaning of the data obtained from the questionnaire. Data will also be presented in simple percentages in statistical tables.

Review of Theoretical Literature

In late 60's Martin Fishbein and Icek Ajzen presented the theory of reasoned action. This theory explains that consumer decision making depends on specific conditions. Consumer expectation leads a specific action when they expect equal outcome. Consumer can change his or her decision from the decision time and act at a specific course of action. Marketers used this theory to associate a specific condition to market their products. The theory also draws attention to the shifting demand of consumers.

Another model of consumer decision making is Engell, Kollet and Blackwell (EBK) expands the theory of reasoned action. According to this model, consumer decision making consists of five steps. Consumer seeks to absorb the marketing information first and after collection of data consumer compares the input to their experiences. After that comparison, consumer takes the rational decision based on process variables and external influences and consumer envision after the purchase. EBK model gives a direction to marketing experts that they will focus on input stage and prepare their marketing materials, which provides appropriate information about product and motivates consumer to purchase their product.

Hawkins Stern emphasizes the importance of impulse buying as compared to rational purchase decision of a consumer. Stern categorized impulse buying in four categories. In first category he identifies pure impulse buying like purchase of chocolate. Second one is remind impulse buying which is based on display and placement. Arrangement of shelves motivates consumers to such type of impulse buying. Third is suggested impulse buying, which I based on some suggestion from sales personnel like warranty of a product. The last category is planned impulse buying in which Consumer plan to purchase a product but uncertain about the definite.

Review of Empirical Studies

Highly competitive retail market faces many challenges and it is trying to get competitive advantage. Many factors influenced the retail sectors such as store location, in store facilities, brand awareness and consumer behavior. In store facilities currently is the highly debatable area of research. Growing trend of supermarkets also has a great dependency on in store environment, and shelf placement.

As per Hoch and Deighton (1989) when a shopper steps into retail store then he starts to look over from lower shelf to upper shelf and not upper shelf to lower shelf. Products positioned in bottom shelves have relatively more edge over the one which are positioned in top shelves. Many times, consumers are informal instead of sorting and choose the products which they first come across. Shelf space a significant aspect due to its limited availability and fixed nature in retail industry.

Impulse buying was redefined as “a consumer experiences an unanticipated, often dominant and unrelenting push for to buy something instantly. In other words, impulse buying can be understood as an immediate and sudden purchase behavior with no thoughtful or future implications before. Also, impulse buyers are pretension to have unreflective thinking, which is “incited by physical immediacy to a desired product, dominated by emotional attraction to it, and absorbed by the promise of immediate pleasure (S. J. Hoch and G. F. Loewenstein, [1991])

According to Dubios (1996) different situations are playing major role in purchase decision of consumer like good mood, time constraints, sales personnel advice, or by accompanied by a friend. The situational approach is more realistic and less ambitious and opens the intermediate track.

Methods of shelf space assignment acquired great importance in the 90s, especially those that used support software, providing increased profitability. Most of the companies consider them as

a critical process. Nowadays, space management and demand forecasting are the main applications in demand by distribution companies (Facilities Design and Management, [1997]).

Change in consumption pattern leads to Impulse purchase. To observe and understand the consumer behavior inside the store first, understanding the structure of the physical behavior within a store and secondly, determining its scope by studying its impact on purchases and thirdly, analyzing the way this behavior is inclined by variables that are specific to the consumer and the context that makes him visit the store. As several studies show that the consumer decides to buy once he gets inside the point of sale (Amine, [1999]).

Increase in number of brands and allocation of these brands on store shelf is a great challenge for retail industry for the reason that limited sources available for display and arrangement for all those brands. Retail operations management decision support system (DSS) required a high volume of data for marketing and space configuration that is essential to retail shelf space management. (Lim et al., [2002])

Display and placement of a brand on shelf is based on demand of this brand. Appropriate shelf space management provides an opportunity to increase sales by reducing cost. (Hwang, Choi [2005]).

Another aspect of shelf display shelf positioning. Traders influenced the buyer's choice through display of goods, they know the impact of display and therefore they make an effort to employ strategies that create a feeling in buyer's mind that he bought exactly what he wanted, when in fact he bought just what the trader want to sell (Enache [2005]).

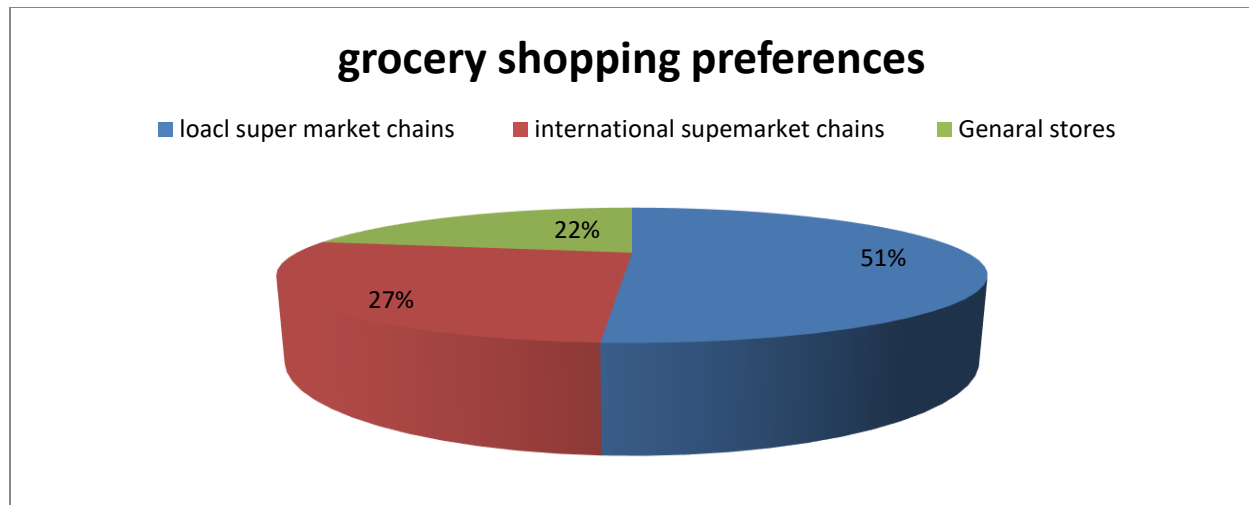
According to Chandon (2009) during shopping in store factors played a major role to influence customer choices, especially during unplanned purchases and while they look for a product which is not available. Quick and minimal search consumer decisions based on low level of involvement that consumers have with in-store decisions. A clever product arrangement is used as a device to amplify visibility, consumer knowledge and demand for the products, eventually leading to better performance. Therefore, retailers work on getting the right goods to the places at the right time.

According to Tinnie (2010) there are four characteristics that are involved to study consumer impulse buying behavior. These are consumer characteristics, store characteristics, situational stimuli and product characteristics. Consumer characteristics are the personal traits of consumers like, age, gender, culture, mood and shopping pleasure. These factors are the important drive to increase impulse buying. Store characteristics are store environment, display, consumer assistance and sales personnel. Situational factors are type of store and availability of time and money. Product characteristics which influence impulse buying are the quality, availability and price of product.

Situational factors are the most important and influential role to increase impulse buying like stores lay out, product display and in store promotions. All these factors have positive relationship with impulse buying. (Roy,2018).

Discussion and Findings

All the above literature explains the importance of buying decision and various factors to influence these decisions. To analyze the consumer buying behavior survey is conducted for consumers. According to our survey, there is an increasing trend to shop from super markets in Karachi. Most of the respondent shop regularly from different super markets including some local and international super market chains. 51% of respondent shop their groceries from local supermarket chains 27% shop from the international supermarket chains and 22% of respondents shop from general stores located near their residence.

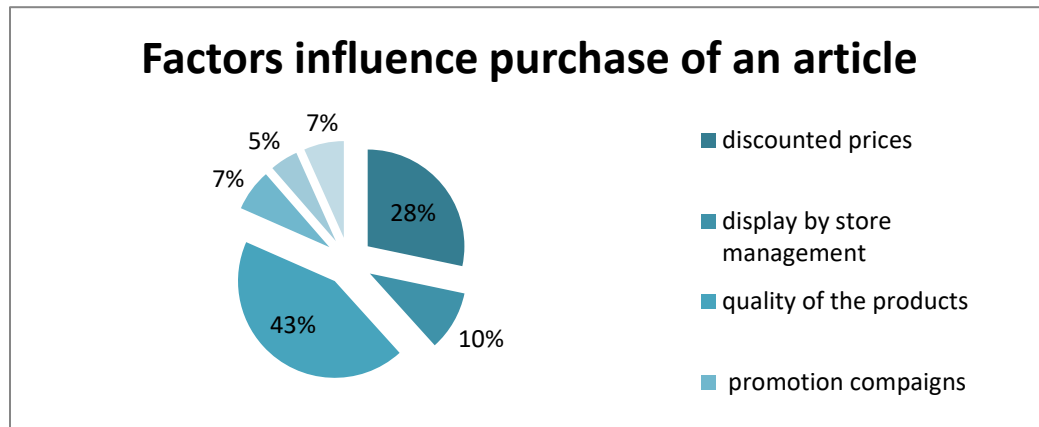


It is also observed that most of the respondents go for shopping with their families. 53.3% of respondents enjoy shopping with their families because mostly people get pleasure from the store environment and facilities provided by the store administration. Karachi is the large populated city and most of the population consists of working middle class. Limited leisure activities and complex life style are the major factors of growing trend of shopping from supermarkets. This trend also affected the buying behavior of consumers. According to survey 31.7% of consumer buying decision is influenced by the shopping companion which is an important reason for impulse buying.

Other reasons to prefer shopping from supermarkets are including the location of stores. Most of the stores are in the populated areas of the city and are in large shopping malls. These malls have gaming zones and food courts which convert shopping into a fun activity. Other driving factor is the discounts offered by the stores. These stores provide the benefits of large scale of economy and due to this reason consumers also get the advantage of reduced prices.

43.3% of responses indicate that quality of the product is more important to purchase any article and 28.3% are motivated by the discounted prices. 10% of consumers purchase decision affected

by the display of product..



The study also revealed that mostly consumers prefer planned impulse buying. They go for shopping with a shopping list, but they decide to buy any article depending on various factors. These factors include shelf arrangements, shopping companion, sometimes the in-store promotions.

Other side of the study is the advantages achieved by the store owners. They get benefit from manufacturers and huge sales volume on daily basis. Consumers sometimes go to shopping malls only for some leisure activity but the eye-catching window display on these stores stimulate consumer to buy. According to some store managers they arrange product display according to consumer demand and consider the impulse buying. Most of them divide store area in various sections; besides these sections they put in some different products like some chocolates shelf with the breakfast cereals. These arrangements are the important marketing tools to enhance sales volume of supermarkets.

Growing retail industry provides exciting shopping experience to consumers and contributes in economic growth as well. In addition, retail industry creates a bridge between consumers and manufacturers. It is the most important source of marketing information for marketing strategist to improve their products according to consumer needs.

Conclusion

The study concluded that consumer buying decisions are affected by various factors. The analysis of these factors is complex and affected by different situational factors. Discounted prices, shelf arrangements, quality of products, store location and in store environment are the some key factors to influence impulse buying behavior. Buying decisions also influenced by shopping companion. The relationships between these factors with impulse buying are shown positive.

Store managers also analyze those factors and getting help to anticipate the consumer demand. These analyses provide useful information to the manufacturers as well. The study has limitations of sample size and time duration. The large sample will help more to analyze consumer preferences in this competitive environment.

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- EKB: <https://www.researchgate.net/publication/282350425> An old model for a new age C onsumer decision making in participatory digital culture