

Merchandise for Profit

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What Will an Effective Merchandising Plan Do for You?

- Increases total sales.
A well merchandised display floor will enable customers to locate the merchandise that they are looking for and make a purchasing decision.
- Makes retail selling more rewarding.
A proper merchandise assortment well signed and displayed will make the selling job much easier.
- Gives you the time to develop new skills.
- Improves inventory control.
It will greatly simplify the maintenance of a physical inventory control.
- Reduces customer confusion by having the merchandise arranged in a methodical manner.
- Increases sales per customer by encouraging multiple sales transactions.
- Frees you for genuine selling activities.
It is usually impossible to provide personalized service to all customers; however, effective merchandising will provide you with more time to assist those customers that require your personal attention.
- Increases impulse sales.
- Put more dollars in your pocket!

Too often after a store has been carefully merchandised, the original presentation of the goods begins to deteriorate. The concepts and philosophy that went into the original presentation is forgotten, and as new items are received, the only rule that is applied is simply "Where Is There Room?" For merchandising to be effective, it must be maintained on a regular ongoing basis.

Key Issues to Facilitate the Merchandising Activity

The allocation of display space:

- When designing a store layout, it is important to have a clear analysis of the yearly sales and gross margin dollars contributed by each merchandise grouping. Naturally, those with the highest return per square foot of selling space will have contributed the most to the business.
- Every retailer should plan on allocating space to merchandise with the goal of maximizing the productivity of the sales floor. This way, the retailer will be forcing it to contribute to the growth of his/her business.
- The sales potential of each square foot of the store depends on where the entrance is located and the customer flow. The most exposed area, and therefore the most valuable space, is located at the main entrance. Merchandise with a highest level of gross margin should be located here. Remember that this area creates the first impression of your store, and must not only be highly profitable, but also highly appealing. Bear in mind that

only about one-quarter of the customers who enter a store will go more than half way into it unless you use some "tricks of the trade", such as locating the most wanted merchandise at the back, to draw them into the store. For example, most grocery stores will locate the meat and/or dairy counters at the rear of the store. Merchandise located in the primary (main) traffic aisles will receive more customer exposure and less in the secondary (other) aisles. A higher level of customer exposure will occur at the junction of two or more primary aisles.

- Certainly, the performance of any merchandise group will improve if it is moved to a prime location. However, do not waste valuable selling space by assigning it to merchandise that will not provide adequate gross margin dollars.
- Remember that you will be paying equal rent for all square footage of your store; the prime area will have to produce enough sales to support the locations that will receive less traffic and generate less profit.
- Purchase only enough inventory to adequately merchandise the display floor with minimal backup stock.

The importance of proper lighting:

- In laying out your store, do not forget to take into account the importance of your lighting and the impact that it will have upon the visual presentation of the merchandise. Fluorescent light is more diffused than incandescent, and tends to reduce shadows. It is particularly useful in stockrooms and offices but should be supplemented with incandescent light when displaying merchandise.
- Incandescent lighting is particularly useful in highlighting merchandise because it most closely resembles natural lighting and can radiate a concentrated point of light.
- Be selective when choosing the colour of light bulbs that you will use. Select a colour that complements your merchandise display.

Visual display:

- Displaying is the act of exhibiting, exposing or making merchandise more desirable to the customer.
- When creating a merchandise display, remember that the merchandise is always the dominant element. Selling aids are only intended to compliment the merchandise.
- Displays should attractively reflect your store's image and be consistent with the selling season.
- Purposes of a display:
 - create customer desire;
 - create strong, positive impression;
 - increase productivity of space; and
 - maximize sales & profit.
- The ideal fixture should be invisible. The less your customer sees of the fixture the more he or she sees of the merchandise. In principle, the fixtures should display the merchandise in a manner that makes it easier for the customer to recognize what the merchandise can do for him/her, simplify the purchasing decision and enhance stock-keeping.
- Since the cost of both fixtures and retail space continue to rise, fixtures are being designed to increase the capacity and productivity of each square foot of selling space.

Flexible fixtures in your store will increase:

- the visibility of the merchandise;
- the ease of customer access to the merchandise; and
- the quantity of merchandise displayed per square foot.

Note: You do not have to spend a lot of money on fixtures for them to be functional and do the required job.

To be successful it is important to remember that merchandising must be an ongoing process within your store. It is important to stay in tune with the basic techniques and understand how they can be used to your advantage to attract and direct a customer's attention.

The following illustrate some of the more commonly used methods of display:

- Display merchandise in commodity groupings.
For example, if you own and operate a hardware store, it would be advantageous to display all the carpenter hand tools in one area of the display floor.
- Display related commodity groupings in adjacent areas.
For example, if you own and operate a ladies wear store, you would display the tops adjacent to the pants and skirts. This type of a merchandising scheme facilitates add on sales.
- Cross aisle merchandising.
A technique where related products are displayed across the aisle from each other.
- Display merchandise in vertical modules.
In this method the merchandise is featured in a vertical block from top to bottom, small to large, light to dark. The concept is to provide the customer with a complete visual presentation of the merchandise assortment in a particular category. For example, if you were displaying T-shirts in a cubical display:

Item No.1

Yellow - S	Blue - S	Red - S
Yellow - M	Blue - M	Red - M
Yellow - L	Blue - L	Red - L

- Display merchandise in colour blocks.
This is a method of display in which the merchandise is organized into colour blocks, from left to right, from light to dark. The effect is to create a display that is visually appealing to the customer. For example, if you were arranging T-shirts on a hanging fixture the display would look like:

Yellow - S,M,L	Blue - S,M,L	Red - S,M,L
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This type of display would present the customer with a complete assortment of merchandise from which to make a purchasing decision and minimizes the amount of time required for daily housekeeping chores.

- Display merchandise from left to right in ascending order.
From small to large.

Other Points to Consider

The importance of ticketing your displayed merchandise:

- All items that are offered for sale should bear a price ticket that clearly identifies the items as to its stock or manufacture's number, the unit selling price, and the date code (the date the merchandise was received in the store).

The importance of daily housekeeping:

- Today's customer has many choices when it comes to making a purchasing decision. The merchandise selection by itself, although important, is seldom the primary reason for the customer shopping in your store. The challenge then is to create and maintain an inviting atmosphere that will encourage the customer to enter your store and make a purchasing decision. In short, effective merchandising is not attained but rather it is maintained through the daily housekeeping efforts of both you and your staff.

Additional Information

For more information on retailing in Canada, please visit the Retail Council of Canada Web site at <http://www.retailcouncil.org>.

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For further information regarding starting a business, contact the

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