Visual Merchandising

Chapter 4

Retail Store Design and Layout
“Shopper found dead in local store; cause of death – boredom”

No other variable in the retailing mix influences the consumer’s initial perceptions of a bricks & mortar retailer as much as the store itself.

The store is “where the action is” and includes such minor details as the placement of the merchandise.
Elements of Store Design

- Building architecture
- Frontage & Entrance
- Ext. Display space
- Health & Safety
- Parking
- Location
- Access
- Store design
  - Store ‘theme’
  - Target Customers
  - Merchandise Mix
Store Front Design

• Storefronts must:
  – Clearly identify the name and general nature of the store
  – Give some hint as to the merchandise inside
  – Includes all exterior signage
  – In many cases includes store windows – an advertising medium for the store – window displays should be changed often, be fun/exciting, and reflect merchandise offered inside
Objectives of Good Store Design

• Design should:
  – be consistent with image and strategy
  – positively influence consumer behavior
  – consider costs versus value
  – be flexible
  – recognize the needs of the disabled – The Americans with Disabilities Act
Retail Store Design & Visual Merchandising

• Store design and layout tells a customer what the store is all about and it is very strong tool in the hands of the retailer for communicating and creating the image of the store in the mind of the customers.

• The design and layout of the store is a means of communicating the image of the retail store.

• The environment which it creates in the retail store, is a combination of the exterior look of the store, the store interiors, the atmosphere in the store and the events, promotions and the themes.

• The overall look of a store and the series of mental pictures and feelings it evokes within the beholder.

• For the retailer, developing a powerful image provides the opportunity to embody a single message, stand out from the competition and be remembered.
Exterior and Interior Store Design

Exterior
- Location
- Parking
- Ease of access
- The building architecture
- Health and safety standards
- Store windows, lighting

Interior
- Fixtures
- Flooring & Ceilings
- Lighting
- Graphics & Signages
- Atmospherics
Introduction to Store Layout Management

• **Store Image** is the overall perception the customer has of the store’s environment.

• **Space Productivity** represents how effectively the retailer utilizes its space and is usually measured by sales per square foot of selling space or gross margin dollars per square foot of selling space.
• By incorporating a café as an integral part of Barnes & Noble bookstores, a very relaxing and casual ambiance is created.
Retailing Truism

• The more merchandise customers are exposed to, the more they tend to buy.
Objectives of the Store Environment

• **Get customers into the store** *(store image)*
  
  – Serves a critical role in the store selection process
  – Important criteria include cleanliness, labeled prices, accurate and pleasant checkout clerks, and well-stocked shelves
  – The store itself makes the most significant and last impression

• **Once they are inside the store, convert them into customers buying merchandise** *(space productivity)*
  
  – The more merchandise customers are exposed to that is presented in an orderly manner, the more they tend to buy
  – Retailers focusing more attention on in-store marketing – marketing dollars spent in the store, in the form of store design, merchandise presentation, visual displays, and in-store promotions, should lead to greater sales and profits (bottom line: it is easier to get a consumer in your store to buy more merchandise than planned than to get a new consumer to come into your store)
Objectives of the Store Environment

- **Shrinkage**
  Represents merchandise that cannot be accounted for due to theft, loss, or damage.
Store Design, Layout, Visual Merchandising

- Opportunity for competitive advantage and increased sales
- Store as a “good story” – a beginning, middle, end
  - Entrance sets up the story – creates expectations, contains promises, entices, hints, teases
  - Inside the store is the middle of the story
    - should start slow (uncluttered) to allow consumers to orient themselves
    - should lead customers on a journey of discovery, using layout, lighting, visuals, other atmospherics
- Checkout area is the store’s climactic ending
Five Major Store Design Objectives

• Consistent with retailer’s image, positioning, strategy
• Positive influence on purchase behavior
• Cost effective – space productivity
• Sales-per-square-foot (most common, racetrack and boutique layout)
  – Sales-per-linear-foot (e.g., supermarkets, drug stores, etc. with long gondolas in grid layout)
  – Sales-per-cubic-foot (e.g., wholesale clubs with multiple layers of merchandise)
• Flexible
Positively influencing purchase behavior

• Allow a transition zone
• Place high-margin merchandise to the right of the entrance
• Make merchandise accessible
• Use signs, fixtures, displays to draw customers
• Vary the tempo of music to achieve goals
• Arrange shelved merchandise strategically
Tradeoffs in Store Design

1. Ease of locating merchandise for planned purchases
2. Aesthetics, space to shop comfortably
3. Relaxed environment

1. Exploration of store, impulse purchases
2. Productivity of space
3. Energy, excitement
Store Planning

- Allocating Space
- Circulation
- Shrinkage Prevention
Store Planning

- **Floor Plan** is a schematic that shows where merchandise and customer service departments are located, how customers circulate through the store, and how much space is dedicated to each department.
- **Stack-Outs** are pallets of merchandise set out on the floor in front of the main shelves.
These Warning Signs May Indicate a Space Problem

Open spaces on the selling floor, even if the product is on hand
Cluttered and disorganized aisles, hallways, and stockrooms
Excessive time required to put away new receipts
Insufficient staging space for large shipments of advertised products
Sales associates continually required to leave the sales floor to locate additional merchandise
Poor utilization of vertical space and excessive time required to retrieve products stored on high shelves
Sales lag expectations for specific locations where space or fixtures are a known issue
Off-site storage or multiple stockrooms required for a single commodity
Types of Floor Space in Store

- Back Room – receiving area, stockroom
  - Department stores (50%)
  - Small specialty and convenience stores (10%)
  - General merchandise stores (15-20%)
- Offices and Other Functional Space – employee break room, store offices, cash office, restrooms
- Aisles, Service Areas and Other Non-Selling Areas
  - Moving shoppers through the store, dressing rooms, layaway areas, service desks, customer service facilities
- Merchandise Space
  - Floor
  - Wall
Allocating Space

- Warehouse clubs are able to take advantage not only of the width and depth of the store, but also the height, by using large “warehouse racks” that carry reachable inventory at lower levels with large pallets or cartons of excess inventory at higher levels.
## HBA Space Allocation by Mass Merchandisers

Total U.S. and by geographic region  
Selected HBA categories  
Average linear feet per store handling...

<table>
<thead>
<tr>
<th></th>
<th>Total U.S.</th>
<th>Eastern</th>
<th>Central</th>
<th>Southern</th>
<th>Pacific</th>
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<tbody>
<tr>
<td>Creme rinse/conditioner</td>
<td>58.2</td>
<td>45.0</td>
<td>59.0</td>
<td>59.6</td>
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<td>Deodorant</td>
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<td>82.9</td>
<td>103.4</td>
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<td>Face cream/lotion</td>
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<td>18.2</td>
<td>20.7</td>
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<td>24.9</td>
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<td>27.2</td>
<td>44.0</td>
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<td>Hair colorings</td>
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<td>52.6</td>
<td>51.4</td>
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<td>Hair spray-women’s</td>
<td>69.2</td>
<td>39.8</td>
<td>55.5</td>
<td>102.5</td>
<td>59.0</td>
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<tr>
<td>Men’s toiletries</td>
<td>28.5</td>
<td>11.3</td>
<td>23.3</td>
<td>44.2</td>
<td>28.5</td>
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<tr>
<td>Oral antiseptics/rinses</td>
<td>55.3</td>
<td>36.6</td>
<td>49.4</td>
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<td>Shampoo</td>
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<td>81.3</td>
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</table>

Source: Neilsen Marketing Research
HBA Space Allocation by Mass Merchandisers

Total U.S. and by geographic region
Selected HBA categories
Average linear feet per store handling...

<table>
<thead>
<tr>
<th>Product</th>
<th>Total U.S.</th>
<th>Eastern</th>
<th>Central</th>
<th>Southern</th>
<th>Pacific</th>
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<tbody>
<tr>
<td>Shaving creams</td>
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<td>24.3</td>
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<td>Suntan Lotion</td>
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<td>37.0</td>
<td>38.0</td>
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<tr>
<td>Toothpaste</td>
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<td>60.3</td>
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<td>Acne remedies</td>
<td>31.3</td>
<td>16.3</td>
<td>29.7</td>
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<td>42.6</td>
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<tr>
<td>Antacids</td>
<td>31.3</td>
<td>16.3</td>
<td>29.7</td>
<td>39.7</td>
<td>42.6</td>
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<tr>
<td>Cold remedies-adult</td>
<td>34.3</td>
<td>25.5</td>
<td>30.3</td>
<td>41.8</td>
<td>42.9</td>
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<tr>
<td>Cough syrup/tablets</td>
<td>13.0</td>
<td>9.9</td>
<td>11.9</td>
<td>15.2</td>
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<td>Nasal spray/drops</td>
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<td>4.0</td>
<td>6.6</td>
<td>9.6</td>
<td>6.0</td>
</tr>
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</table>

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<th>Southern</th>
<th>Pacific</th>
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</thead>
<tbody>
<tr>
<td>Headache/pain remedies</td>
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<td>30.5</td>
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<td>59.8</td>
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<tr>
<td>Vitamins</td>
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<td>Contact lens solution</td>
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<td>Diet aids</td>
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<td>25.2</td>
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<td>Pregnancy test kits</td>
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<tr>
<td>Laxatives</td>
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<td>10.6</td>
<td>21.3</td>
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<td>32.6</td>
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<tr>
<td>Contraceptives-male</td>
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<td>7.2</td>
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<tr>
<td>Sanitary napkins</td>
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<td>77.8</td>
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<td>Tampons</td>
<td>26.3</td>
<td>24.8</td>
<td>26.4</td>
<td>26.0</td>
<td>31.4</td>
</tr>
</tbody>
</table>

Source: Neilsen Marketing Research
Space Allocation Planning

- Improving Space Productivity in Existing Stores
- **Space Productivity Index** is a ratio that compares the percentage of the store’s total gross margin that a particular merchandise category generates to its percentage of total store selling space used.
- Space Allocations for a New Store

LO 2
## Merchandise Productivity Analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Sales</th>
<th>Sales as % of Total</th>
<th>Total Sq. Ft.</th>
<th>Sq. Ft. as % of Total</th>
<th>Sales per Sq. Ft.</th>
<th>Total G.M. $</th>
<th>G.M. $ as % of Total</th>
<th>Space Productivity Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Softlines</td>
<td>259,645</td>
<td>3.9</td>
<td>1,602</td>
<td>2.9</td>
<td>162.08</td>
<td>211,497</td>
<td>4.57</td>
<td>1.58</td>
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<tr>
<td>Juniors</td>
<td>47,829</td>
<td>0.7</td>
<td>608</td>
<td>1.1</td>
<td>78.67</td>
<td>33,426</td>
<td>0.72</td>
<td>0.66</td>
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<td>Dresses</td>
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<td>7.7</td>
<td>3,702</td>
<td>6.7</td>
<td>138.43</td>
<td>429,403</td>
<td>9.29</td>
<td>1.39</td>
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<td>Misses</td>
<td>170,819</td>
<td>2.6</td>
<td>1,934</td>
<td>3.5</td>
<td>88.33</td>
<td>148,899</td>
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<tr>
<td>Womens</td>
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<td>2,542</td>
<td>4.6</td>
<td>72.58</td>
<td>144,866</td>
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<td>Mens</td>
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<td>3,591</td>
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<td>209.30</td>
<td>603,330</td>
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<td>Infants</td>
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<td>1,658</td>
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<td>142,545</td>
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</table>
## Merchandise Productivity Analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Sales</th>
<th>Sales as % of Total</th>
<th>Total Sq. Ft.</th>
<th>Sq. Ft. as % of Total</th>
<th>Sales per Sq. Ft.</th>
<th>Total G.M.S</th>
<th>G.M.S as % of Total</th>
<th>Space Productivity Index</th>
</tr>
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<tbody>
<tr>
<td>Hardlines</td>
<td>498,792</td>
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<td>4,531</td>
<td>8.2</td>
<td>110.08</td>
<td>407,745</td>
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<td>Domestics</td>
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<td>143,429</td>
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<td>29,227</td>
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<td>0.27</td>
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<td>Auto Accessories</td>
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<td>29,061</td>
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<td>125.79</td>
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<tr>
<td><strong>Total Hardlines</strong></td>
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<td><strong>1.00</strong></td>
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<td><strong>Nonselling</strong></td>
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<td>—</td>
<td>2,652</td>
<td>4.8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>Total Scores</strong></td>
<td><strong>6,675,564</strong></td>
<td><strong>100.0</strong></td>
<td><strong>55,250</strong></td>
<td><strong>100.0</strong></td>
<td><strong>4,624,480</strong></td>
<td><strong>100.00</strong></td>
<td></td>
<td><strong>1.00</strong></td>
</tr>
</tbody>
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Store Layout (and Traffic Flow)

• Conflicting objectives:

  – Ease of finding merchandise versus varied and interesting layout

  – Giving customers adequate space to shop versus use expensive space productively
Free Flow Layout

- **Free-Flow Layout** is a type of store layout in which fixtures and merchandise are grouped into free-flowing patterns on the sales floor.

**Advantages**
- Allowance for browsing and wandering freely
- Increased impulse purchases
- Visual appeal
- Flexibility

**Disadvantages**
- Loitering encouraged
- Possible confusion
- Waste of floor space
- Cost
- Difficulty of cleaning
Circulation: Free Flow
Free-Flow Layout

- Fixtures and merchandise grouped into free-flowing patterns on the sales floor – no defined traffic pattern
- Works best in small stores (under 5,000 square feet) in which customers wish to browse
- Works best when merchandise is of the same type, such as fashion apparel
- If there is a great variety of merchandise, fails to provide cues as to where one department stops and another starts
The Disney Store’s Effective Use of the Free-Flow Design

- Approximately 250 million consumers visit Disney’s entertainment retail outlets each year.
- New store designs showcase merchandise in an engaging and contemporary fashion, keeping pace with evolving retail trends.
- Technological elements - including a front-of-store media wall that engages guests with Disney programming, and interactive kiosks-setting the stage for the Disney Store in the 21st century.
Grid Layout is a type of store layout in which counters and fixtures are placed in long rows or “runs,” usually at right angles, throughout the store.

- Efficient use of space
- Simple and predictable to navigate
- Focal points at aisle ends

Advantages
- Low cost
- Customer familiarity
- Merchandise exposure
- Ease of cleaning
- Simplified security
- Possibility of self-service

Disadvantages
- Plain and uninteresting
- Limited browsing
- Stimulation of rushed shopping behavior
- Limited creativity in decor
Circulation: Grid Layout
Grid (Straight) Design

- Best used in retail environments in which majority of customers shop the entire store
- Can be confusing and frustrating because it is difficult to see over the fixtures to other merchandise
- Should be employed carefully; forcing customers to back of large store may frustrate and cause them to look elsewhere
- Most familiar examples for supermarkets and pharmacies
Loop Layout

- **Loop Layout** is a type of store layout in which a major customer aisle begins at the entrance, loops through the store, usually in the shape of a circle, square, or rectangle, and then returns the customer to the front of the store.

- **Advantages**
  - Exposes customers to the greatest amount of merchandise
Circulation: Loop Layout
Curving/Loop (Racetrack) Design

- Major customer aisle(s) begins at entrance, loops through the store (usually in shape of circle, square or rectangle) and returns customer to front of store

- Exposes shoppers to the greatest possible amount of merchandise by encouraging browsing and cross-shopping
Racetrack Layout

Major and minor loops with multiple entrances & multiple sight lines, draws shopper around the store, encourages exploration, impulse buying

Location of departments men’s vs. women’s
- **impulse goods** – near entrances, to the right, escalators, point-of-sale
- **demand/destination** – upper floors, back corners; **complementary** – adjacent

**Display areas** – bulk-of-stock + feature areas (walls, promotional areas, point- of-sale areas, feature fixtures, windows)

**Fixtures** – feature fixtures – four-way, free-standing/mannequins, glass cases + gondolas, rounders & straight racks for bulk-of-stock & sale merchandise
Spine Layout

Spine Layout is a type of store layout in which a single main aisle runs from the front to the back of the store, transporting customers in both directions, and where on either side of this spine, merchandise departments using either a free-flow or grid pattern branch off toward the back aisle walls.
Spine Layout

• Variation of grid, loop and free-form layouts

• Based on single main aisle running from the front to the back of the store (transporting customers in both directions)

• On either side of spine, merchandise departments branch off toward the back or side walls

• Heavily used by medium-sized specialty stores ranging from 2,000 – 10,000 square feet

• In fashion stores the spine is often subtly offset by a change in floor coloring or surface and is not perceived as an aisle
The Problem

- Fewer sales opportunities
- Increased channels
- Rise of C-stores
- Shoppers are more diverse and complex
Visual Merchandising and Store Layout

• Consider the following questions:
  – Is your store layout successful?
  – Does it create interest and allow your customers to move through your store in a manner that is natural, comfortable and intuitive?
  – Does it foster longer shop times and encourage browsing?
  – Does it pull customers through the store?
  – Does the store layout introduce your shoppers to large quantities of your featured merchandise?
  – Do the lines of sight increase your customers’ perception of your store’s size?
Visual Merchandising and Store Layout

• Communication is the essence of retail.
• For example, you communicate your offering, you communicate your pricing, and you communicate a certain level of customer service.
• But successful store layout takes communication to a whole other level.
• A successful store layout communicates that you are customer friendly.
• A store layout can communicate that you want your customer’s to linger longer in your store.
• A successful store layout can communicate that your store is senior friendly.
• Can you think of more issues which are communicated?
The PDQ System

• Discover Based Retail uses a system called Penetration and Dispersion Quotient.
• PDQ is a study of how people move through your store.
• It can tell you how effectively you are managing your floor space.
• Consider this: if yours is an 8,000 square meter sale space and for any reason shoppers avoid even 1,000 meters of it, then your sales space is not as productive as it can be.
• A successful store layout enhances the production of the entire area.
The PDQ System

• The PDG is a great system to help you determine how effectively you are using the space.

• Once that determination is made then you have to begin to look for the culprits that are causing infectivity.

• The answers may lie in lighting, product adjacencies, location of your key driving departments, locations of your customer service area, cash wraps and more.
On Store Layout

• How would you define a successful store layout?
• Is it one that looks good?
• Is it one that by virtue of its design pulls customers into all the zones of the store?
• Is it one that appeals to an ideal customer and based upon this fact encourages that ideal customer to linger longer in the shopping environment?
On Store Layout

• A successful store layout is not by accident.
• Before a sales space is designed, the designer has to have accumulated extensive knowledge of whom his design is ultimately targeted to appeal to.
• This is an elemental step that many designers fail to consider.
• The store should look good through the eyes of a customer profile that you have predetermined offers your store the best chance for success.
On Store Layout

• Take a mental walk through a store you regularly frequent right now.
• What makes it different and more appealing than the competitors down the street?
• Is it traditional layout that offers nothing unique?
• A store layout should help your store create relevance.
• It should be different.
• The store layout is part and parcel of its branding.
• Because it is part of the mental picture people see, experience, and remember about your brand.
On Grocery Store Layout

• The grocery store manager knows that the key to running a profitable store is selling more of “everything in between.”
• Exposing shoppers to more products is the goal of good grocery store layout.
• Successful grocery store layouts influence traffic flow, and guide shoppers through the entire sales space.
• Grocery store layouts should encourage customers to discover new products and specialty items.
• Store layout affects customers’ shop time, incremental sales and ultimately, profitability.
On Grocery Store Layout

• Questions to ask
  – What is my store type?
  – Who are my target customers?
• If your target customers are bargain shoppers concerned only with price, then a straightforward traditional grocery store layout might adequately address your needs.
• Grocery store operators who target the price sensitive customers often run parallel aisles that demand a more self-reliant shopping experience in order to lower payroll which may in turn helps foster lower prices.
On Grocery Store Layout

• Store managers who target this group of customers invest more resources in inventory management and less in customer service.
• Even then, creating a layout featuring leading visuals of related products can help guide customers through the store and increase their shopping time.
• More shopping time usually translates to more purchases.
On Grocery Store Layout

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On Grocery Store Layout

• If you target the upmarket customers, you grocery store might need to include a combination of free flowing departments and modified racetrack design.
• Free flowing areas allow more customer interaction, which along with the sales assistance, often appeals to upmarket customers.
• The upscale grocery store layout may include more entertainment & design elements which are also intended to lengthen the time customers spend in the store.
• These elements contribute to a pleasant shopping experience which will produce more sales.
Considerations

• Consider the type of fresh food store you are assisting.
• Consider the type of people that go there.
• Does the store design appeal the target market?
• Is the store layout appropriate for the target market and does it encourage a longer and more pleasant experience?
• What changes would you make?
• Jot down a few thoughts in preparation for the Visual Merchandising Plan you will create for them in the 2nd term.
Small Assignment

• Please do a rough drawing of the current layout of your store from a top view.
• Clearly name each section.
• Give a short paragraph on what you think is good and what you think does not work and why.
• Then do a new drawing of the way you would change the layout.
• Can all be in pencil, pen, kokies, etc. Does not have to be typed.
• About two pages should suffice.