Impact of Shelf Space on Purchase Behavior of Consumer:

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Abstract

When a consumer push the cart to the passage of a supermarket he finds lot of product categories with lots of competitive brands entangling him. This is due to the limited shelf space availability and the thronging brands striving to get in the basket of the customers. The shelf space is a crucial strategy which influences the sales and marketing effectiveness. It can be evidently noticed that the lower shelf seeks less attention than upper shelves thus significant difference between the sales of the products / brands can be observed placed in two different shelves. However acquiring a shelf space is a costly affair. A supermarket or a retailer in order to give space to the new product has to exonerate any other product, which requires labor and materials cost, data entry in the computer software, labeling etc. A supermarket or a retailer has to be adequately compensated for taking all such pains.

The present research is a conceptual research which attempts to study the impact of shelf space on the purchase behavior of the consumers.

Keywords: Brand, Product, Retailers, Shelf space, Supermarket

Introduction

Till second half of 1970s majority of the companies restricts their promotional efforts outside the sale area. These external promotional activities include advertisement, marketing, research & development outside the retail place. In the year 1973-74 the concept of internal techniques begin to gain attention when the concept of ‘atmospherics’ was introduced by Kotler. The term atmospherics in marketing context refers to the environmental cues that influence customer’s shopping decision. As per Markin “the retail store is a bundle of cues, messages & suggestions which communicate to consumers” The term atmospherics which includes elements like lighting, music, color, aisle management, category management, shelf organization start gaining attention. Out of all these essentials shelf organization becomes a crucial factor due to its limited availability.

Shelf Space refers to the space available in a store or place to display particular goods for sale. In recent years competition between the brands has become fiercer owing to ample of varieties or brands available in any particular product sector. Looking to the increase in number of products to be displayed the amount of space available to display them is decreasing. On the basis of modern concept “Jo Dikhta Hai Wo Bikta Hai” the competition to grab the best place in the shelves has geared up. Companies are ready to pay premium to get appropriate space in the shelves in order to boost their product sales. All these hustle & bustle have made shelf space a very crucial thing.

Literature Review

Daniel Corsten, Thomas Gruen, (2003) "Desperately seeking shelf availability: an examination of the extent, the causes, and the efforts to address retail out-of-stocks", International Journal of Retail & Distribution Management, Vol. 31 Iss: 12, pp.605 – 617, With all the hype around efficient consumer response (ECR) and the brave new world of technologies, one would believe that retail out-of-stocks have gone down over the last ten years. That is wrong. Retailers have been struggling with considerable out-of-stocks for decades – with little evidence of improvement. A similar wrong belief is that shoppers are also still unwilling to accept low service levels. In fact, increasingly, consumers switch brands when they do not find the brand they wanted. But retailers must be wary, because the results of the research show that increasingly shoppers switch stores quickly and may never come back. So, who is to blame? The supply chain. And where to tackle it? On the shop floor. Over the past two years, worldwide study has been conducted of the extent, causes, and consumer responses to out-of-stocks in the fast-moving consumer goods industry.

John Fernie, David B. Grant, (2008) "On-shelf availability: the case of a UK grocery retailer", The International Journal of Logistics Management, Vol. 19 Iss: 3, pp.293 – 308, The purpose of the research was to determine if any relationship existed between OSA (On Shelf Availability)and store picking for home shoppers, OSA and promotions and OSA and store size. This paper discusses the academic and practitioner literature on OSA and out-of-stocks (OOS) and then presents a single company, in-depth case study of one multiple grocery retailer. Primary research was undertaken with senior managers of the company but also at regional distribution centre (RDC) and store level to chart how new logistics strategies were implemented at an operational level in Scottish stores.
Monica Gomez Suarez (2005) “Shelf space assigned to store and national brands: A neural networks analysis”, International Journal of Retail & Distribution Management, Vol. 33 Iss: 11, pp.858 – 878, suggests that the research has practical implications for retailers because their “over-merchandizing” of own brands can damage the overall profitability of the category. On the other hand, national leading brands will have to invest more resources in advertising to sustain customer loyalty.

Timothy L. Urban, (2002) "The interdependence of inventory management and retail shelf management”, International Journal of Physical Distribution & Logistics Management, Vol. 32 Iss: 1, pp.41 – 58, Acknowledges that the effect of displayed inventory on retail sales is widely recognized in the logistics, marketing and operations management literature and has been empirically verified. However, neither the marketing literature (shelf-space allocation models) nor the operations management literature (inventory control models) has appropriately modeled this effect. The displayed-inventory news-vendor problem is developed and analyzed, utilizing a simple model to illustrate the interdependencies between the inventory and space-allocation decisions. The model is then extended to the multi-item case, which can be incorporated as part of a comprehensive shelf-management system.

Shelf Space Evaluation:
Profit in the business can be boost in two ways:

a) Decrease the Cost
b) Boost the Sales

The cost reduction tactics are operational in nature which mainly is based on efficient utilization of resources, personnel & technology. However sales are market driven & mainly depend on promotional elements. The promotional activities may be Out-of-Store or In-Store. Among In-Store tactics “Shelf Management” plays a crucial part due to its restricted availability. Shelf Management can be viewed from two different perspectives:

a) From Retailer perspective: They want to manage shelf space in such a manner that maximum categories can be displayed which in turn will fetch them high income. They are not much bothered with brand identity. They want to make maximum utilization of the available space area. Main object of retailer is to maximize profit & this can only be achieved by influencing shoppers to spend more on unplanned shopping pattern. Shelf space plays a vital role in case of products whose buying pattern is impulsive i.e the shoppers have not planned for them, so by well display of these products business can be accelerated.

b) From Manufacturer point of view: Manufactures are very much concern regarding brand identity so they want more & appropriate shelf space for their product which in turn will draw more consumer attention & ultimately boost their sales. Shelf space is an expensive resource which should be planned cleverly. Companies pay high amount to retailers to get premium space in shelf with a motive of high sales. In case if sales are not rising even after premium display then manufacturers shall consider other factors also like price competitiveness, taste etc. Shelf space helps manufactures in evaluating his product by providing a platform where the product can compete with other prevailing brands.

c) From Customer’s Perspective: To understand shelf space from consumer point of view we need to first understand shopping behaviour of the consumers. As per Diez de Castro (2004) there are 3 different kinds of the shopping behaviors followed by the customer.

1) Planned Purchase: Here the customer designs his shopping pattern beforehand only i.e what to buy, how much to buy, which company product to be purchased etc. Before arriving retail shop only they are very clear regarding the shopping they have to conduct.

2) Suggested Purchase: Here the customer shops that product which is not necessarily in his purchase list. Such purchases are result of sales promotions made on the spot like 40% off, buy 2 get 1 free etc.

3) Impulsive Purchase: As per Schulz (2005) 70% of all the purchases are impulsive. Proper display & visibility gives rise to impulsive purchase. Consumers can’t be expected to be rational while making every purchase, many a times they rely on product cues for making purchase decisions. As per Hoch & Deighton (1989) when a shopper enters any retail shop then he start browsing from bottom to top & not top to bottom. Products that placed in bottom shelves get relative advantage over the ones which are placed on top shelves. Many a times consumers are very casual i.e instead of searching around they pick the product which they first come across. Further spot promotional sales tactics also influence consumer’s decision. Products having offers, discounts etc shall be displayed properly so that shoppers easily catch eye on them. Amongst all the purchase cues Shelf Space is an important cue due to its limited availability & fixed nature.
Advantages of Shelf Space:

a) **Shopping becomes Time Economic**: In today’s busy world where time is money consumers want their shopping to be time economic. They don’t want to waste their time in loitering around. To a great extent their shopping decisions rely on display of products. The more efficiently a product is displayed the higher are the chances of that product to get sold.

b) **Informative**: Shoppers to a great extent depends on how the products are priced & described. If a shopper is brand loyal then shelf space helps him in conveniently tracing the product (if available) or to go for substitute if that particular product is not available.

c) **Reduction in Operational Cost**: Well designed shelf space improves overall performance of the store thus reducing its operating cost. If the retailer is well aware of the turnover & demand of the various categories of products then shelf space allocation can help him in reducing inventory cost.

d) **Prevent STOCK OUT**: Well managed Shelf space not only attracts the customers but also prevents stock outs. Stock Out is the position when particular brand or product goes out of stock. There are certain product categories where shoppers make instant decision & chances of stock out is high. In case of Stock Out condition some customers go for another brand, some delay their shopping while some went to another outlet. Waller et al (2009) in his study give reference of USA market where if such situation arises then approx 31% of the total customers will switch to another store, 22% will go for substitution & rest 16% will delay their purchasing.

**Shelf Space Management**:

Management of shelf space is not a easy job. Shelf space is managed with mainly two objectives:  

- Retailers aim to create friendly & comfortable arrangements of product display which makes shopping a easy job.
- Manufacturers & retailers both aim to optimize the level of profit on the cost related to shelf space.

Retailers while allocating shelf space consider the profit margin & turnover of the products. The products whose sale volume is high but profit margin is less usually get avoided in getting premium place in shelf space. Managing shelf space is an important task as it involves customer satisfaction & helps in optimizing sales. While managing shelf space following factors shall be taken care of:

a) **Proper Guidance**: As per “Global New Products Report” from New York based Nielsen 72% of consumers are more expected to purchase any product when they come know about it in a store. Keeping this thing in mind retailers shall make optimum utilization of the space available & attempt to provide all the information shoppers seek like information regarding nutritional value or brand history or ingredients details may be a great help for shoppers.

b) **Ambience**: Size, shapes, colors should be such that make tracking any product easy for the shoppers. Signage to point out where the product can be found helps shoppers in doing shopping conveniently.

c) **Category Management**: While allocating space to different products their characteristics shall be considered. Say for example products like toilet paper are very sensitive towards price factor, so cheap brands shall be given more space compared to costly ones in order to avoid STOCK OUT situation. In the same way there are certain categories where shoppers are brand loyal eg toothpaste thus popular brands in such case shall be given more space or else in case of STOCK OUT the shopper will go to another outlet for purchasing same brand which in turn will result in business loss.

**Correlation of Shelf Space & Obesity**:  
Overweight now has become global threat. In a study cited as Norman, M., Hoffmann, J. & Cheskin, L. J. (2014) “Shelf Space Devoted to Nutritious Foods Correlates with BMI”. American Journal of Food and Nutrition, 2(2), 18-22 it was found that there is a correlation between the shelf space allocated to different categories of food material & BMI (Body Mass Index) in number of nations.

a) Lower national BMI was found associated with higher % of shelf space allotted to vegetables, fruits, canned vegetables, & canned fruits.

b) Higher national BMI was found association with higher % of shelf space allotted to cereals, pastas, grains, bread, junk food and dairy products.

Pie charts representing the distribution of shelf space devoted to various types of food. Food was divided into the four categories: Grains, Fruits and Vegetables, Soda and Junk food and Dairy. Other categories of food in the store were not included.
Some of the Shelf Management Models:
From time to time various models have been developed to help retailers in managing shelf space efficiently, some of the famous models are as below:

a) Hansen & Heinsbrock 1979: Shelf space allocation model as a constrained Optimization problem
b) Corstjens & Doyle 1981: Shelf space allocation model
c) Corstjens & Doyle 1983: Dynamic Shelf allocation model
d) Bultez & Naert 1988: S.H.A.R.P model (Shelf allocation for Retailers profit model)
e) Ziifryden 1986: Dynamic programming formulation of shelf space allocation model
f) Bultez et al. 1989: S.H.A.R.P. H model
g) Bookbinder & Zarour 2001: Shelf space allocation model

There are some software’s which are specifically developed for management of shelf space allocation based on non optimal methods eg. Spaceman & Apollo. These software’s have their own limitations & are referred by many authors in their study & research.

Conclusion
On basis of different surveys conducted it can be said that the importance of shelf space vary with the product. Shelf space is effective in case of those products which have superior quality & competitive prices. There are some category say toothpaste, soaps, cereals for breakfast where consumers are more likely to be brand loyal. They are indifferent to shelf space in case of such products categories. At the same time there are certain product categories like coffee, beer, tissues, detergent, toilet paper where price is the driving element. If these products have competitive price then only shelf space is relevant for shoppers. In case of product categories like cookies & chips shelf space will work only when their taste meets the expectation of the consumers. On the basis of the surveys conducted & research done by various elite classes it can be concluded that no doubt shelf space is very crucial but alone it cannot be the driving element. Manufacturers shall quantify the amount of profit they are gaining compared to premium amount they are spending for getting desired shelf space. If it is worthy then only it shall be opted or else shall be avoided. Efficient retailers are well aware of his product’s demand & keeping them in mind if shelf space management is done it will help in reducing inventory cost.

A well managed shelf space not only helps in building tough rapport with vendor but also result in higher amount of customer satisfaction. A famous quote “Merchandise handled is merchandise half sold” describes the value of shelf space. The consumers are more inclined to purchase the product which is efficiently displayed. However it shall be born in mind that by Shelf Space management sales cannot be increased but only be diverted from one brand to another.