POINT-OF-PURCHASE DISPLAYS IN THE FMCG SECTOR: A RETAILER PERSPECTIVE

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Abstract

Intense competition in the (fast-moving consumer goods) FMCG sector has prompted manufacturers and marketers to rely more heavily on point-of-purchase displays, an antecedent manipulation of the retail setting, to stimulate sales. Retailers, on the other hand, have become more discerning about the number and types of displays they will allow in their stores. There has been limited research on point-of-purchase displays in South Africa. This paper therefore examines retailers' perceptions of point-of-purchase displays. Being an exploratory study, a survey was conducted among 100 supermarket owners and managers using a quantitative approach. It emerged that respondents believed that point-of-purchase displays drive in-store sales and contribute to retailers' profits, as well as drive impulse purchases. It was found that point of purchase displays create an interactive retail experience, create brand loyalty and alone can drive sales without a price reduction. The results also indicate that point-of-purchase displays lead to clutter in stores and that marketers' bargaining power influences point of purchase decisions in stores. Of concern was the perception that point-of-purchase displays did not cater for low literacy consumers.

Keywords: Fast-Moving Consumer Goods Sector, Retail Business, Point-Of-Purchase Displays

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Introduction

The FMCG retail sector has witnessed intense competition where manufacturers and marketers of low-involvement products are relying heavily on point-of-purchase displays with a view to gaining a competitive advantage. Behaviourally, in-store displays are antecedent manipulations of the retail setting and fall under the classification of marketing communication channels, more commonly referred to as point-of-purchase communications (De Pelsmacker, Geuens & Van den Bergh 2004). Recent trends in marketing have seen an increased emphasis on in-store advertising with the intention of grabbing the attention of shoppers at the point of purchase. Retailers have become more discerning about the number of displays they will allow, to the point of restricting the number of displays or even disallowing certain types of displays. Point-of-purchase displays are materials used in the retail sector to promote an item or a brand and are useful in showcasing the product (Newlands & Hooper, 2009). Point-of-purchase displays allow for the prominent display of products, often in high traffic areas or aisles, and at strategic areas such as pay points, thereby giving the product greater prominence and consequently, greater chance of purchase.

According to McDaniel, Lamb & Hair (2013), point-of purchase promotion has a key advantage in that 70% to 80% of all retail purchase decisions are made while the consumer is in the store. In light of this, Brown (2007) believes that marketers are now diverting large budget allocations to shopper marketing compared to the past.

Internationally, retail outlets are currently inundated with point-of-purchase displays throughout the year. Securing prime positions in stores is key, and this poses a challenge to manufacturers and marketers. Adhering to retailers' requirements is a further challenge. Retailers, especially those with strong bargaining power are prescriptive when it comes to point-of-purchase displays in their stores. Retailers prefer less clutter, hence less confusion in their stores. There has been significant growth in retail sales in South Africa. In keeping with this, the use of point-of-purchase displays has also risen significantly. However, there has been limited research in the South African retail environment in so far as point-of-purchase displays are concerned. The aim of this paper is to evaluate retailers' perceptions of point-of-purchase displays. Specifically, the views of store managers are solicited. Effective point-of-display displays can make the difference between products lying in inventory and products making their way into customers' shopping baskets, including the encouragement of impulsive purchasing. It is envisaged that managers of retail outlets will view the importance of point-of purchase displays as an effective means of stimulating sales. It is envisaged that this paper will find applicability to marketers in similar developing economies.

Literature review

Point-of-purchase refers to the moment a consumer is about to buy the product; a crucial point where the exchange takes place, offering the marketer the last chance to attract the customer (Abrishami & Peivandi, 2014). According to De Pelsmacker et. al. (2004), point-of-purchase communications have five key objectives: (a) to capture the attention of consumers in order to differentiate the product, (b) to remind consumers of prior and on-going marketing communications stimuli, (c) to inform consumers about product attributes, (d) to create image of positive associations and (e) to persuade the consumer to make an impulse purchase. Moore (2010) believes that marketers are placing more emphasis on connecting with the consumer at point of purchase. Effective interaction will entice new consumers, encourage brand switching from competing products and maintain brand loyalty among existing customers (Shaffer & Zettelmeyer, 2009). Mitchell (2002) suggests that point-of-purchase, as an advertising medium, should be viewed for its long term benefits in building brand awareness and not just as a distribution channel. Point-of-purchase displays serve an important role in product search, product choice, making the shopping experience more favourable and reminding consumers (Solomon, 2007). Liljenwall (2004) believes that the majority of consumers go into a store undecided about exactly what they intend to purchase. They look at products available and their attention focuses on in-store displays. It is for this reason that point of purchase display becomes important, hence the need for point of displays to attract the attention of consumers. Horward, Flora, Scheicker & Gonzalez (2004) believe that it is for this reason that marketers are now spending more on non-traditional media such as point of purchase advertising and promotions.

Raghubir & Valenzuela (2006) observed that large food retailers exercise strict control over what point-of-purchase displays appear in their stores. Before a display does eventually appear on the aisle, it needs to go through rigorous scrutiny. This decision is guided by clean-store policies and the necessity to reduce clutter of the aisles. It becomes necessary for marketers to adhere to retailers' rules, especially to prevent conflict with retailers. Hunt (2002) concurs by stating that a strong retailer relationship not only gets point-of-displays in store, but also ensures that point-of-purchase displays are effectively set up to optimise their benefits.

According to Chandon, Hutchinson, Bradlow & Young (2007), given the situation that the consumer faces an array of choices at a store, attracting consumer visual attention at the point-of-display strongly influence consumer choice. Items placed at point-of display with a price-tag attached, create a notion in the consumer's mind, that the price has been discounted, even if this is not the case (Inman, McAlister & Hoyer, 1990; Woodside & Waddle, 1975). (Solomon (2007) believes that consumer behaviour, at point-of-purchase, is influenced by out-of-store memory-based factors and in-store attention-based factors. Therefore, considering the clutter in the retail environment, creating memory-based consumer pull is insufficient; marketers must create "visual lift" for their brands. To this end, Kerfoot, Davies & Ward (2003) point to the importance of visual point-of-purchase product presentation in influencing in-store browsing and purchase behaviour. Leech (2009) observed that, in difficult economic circumstances, consumers change the way they shop, focusing on necessities and changing their in-store movement patterns to avoid the enticement of purchasing non-essential items. However, brands with share of voice will continue to have share of market. To this end, the effective use of point-of-purchase displays can reduce the risk of brand decline, given that display alone can drive sales without a decrease in price.

Sudhir and Rao (2006) believe that manufacturers are willing to pay a premium price in exchange for strategic placement of their point-of-purchase displays. It is common practice for retailers to put up a portion of their shelf space for bidding by manufacturers who compete for shelf space. Those who offer the highest bid secure preferential shelf space, e.g. products being displayed in the centre of an aisle which are most likely to be chosen. It is not uncommon for manufacturers to offer hefty upfront payments that are not related to current retail volumes, which Shaffer (2005) refers to as " slotting allowances". Another challenge faced by marketers is compliance, whereby retailers demand that point-of-purchase displays be tailored to meet their needs, apart from the needs of the marketer. Retailers are imposing stricter conditions pertaining to the number of displays as well as the types of displays they are willing to accommodate and prefer that point-of-purchase displays blend with the store's ambiance, posing a challenge for marketers who wish to participate at a particular retail outlet (Hill, 2003).

Milman (2009) believes that point-of-purchase displays not only bring brands to consumers, but are also enabling a more interactive retail experience. Kerfoot (2003) identifies three important factors for the success of a retailer, viz, creating the perfect retail setting for the target customer, effectively presenting the product to the customer and creating beneficial in-store displays that will attract customers. Soars (2009) believes that, given the complexity of today's consumers, retailers will have to go a step further in creating an enhanced shopping experience. This can be achieved by moving beyond simple points-of-display and signage to a sensory approach whereby shoppers' sense of sound, smell, light and touch will influence choice of store, in-store decision making and spend. This can stimulate sales as the consumer moves through each aisle, aided by point-of-purchase displays which encourage purchase.

When it comes to product decision-making, low literacy consumers face challenges in the context of processing information from point-of purchase displays. Jae & Delvecchio (2004) found that in the USA, as much as 50% of the population operate at a maximum of level two literacy i.e. possessing only marginal literacy skills. Furthermore, high literacy consumers made product choices based on central cues, whereas low literacy consumers relied on peripheral cues to make product decisions. The authors also found information in advertising and on packaging to be generally written at a level that was beyond the comprehension of low literacy consumers. To this end, visual cues such as graphic information at point-of-display can improve choice for consumers with low literacy levels (Wallendorf, 2001; Viswanathan, Rosa & Harris, 2005).

Methodology

The study was exploratory, descriptive, quantitative and cross-sectional in nature. A structured questionnaire consisting of closed questions was used. The target population comprised large supermarkets in the city of Durban, South Africa. Two non-probability sampling techniques were employed. Firstly, purposive sampling was used, whereby supermarkets with a sizeable number of point-of-purchase displays were chosen. Supermarkets with more that 20 point-of-purchase displays were included in the study. Secondly, convenience sampling was chosen to select supermarkets. Being an exploratory study, a net response rate of 100 usable questionnaires was the target. The intended respondents were owners or managers of supermarkets. Questionnaire content covered the perceptions of retail store owners or managers on point-of-purchase displays at their stores. All questions were interval in nature, employing the five-point Likert scale (Strongly disagree to strongly agree). Questionnaires were personally delivered and collected at a later date by agreement with the respondent.

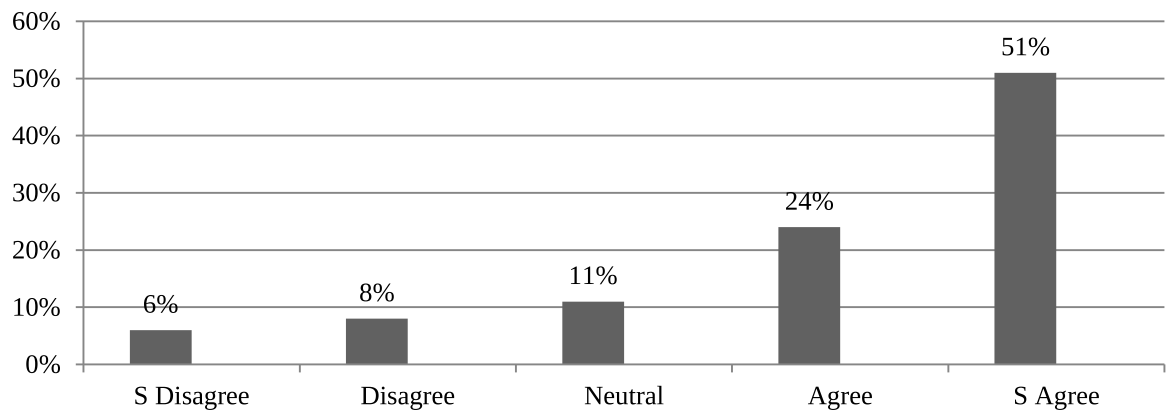
Results

The following section discusses the findings of the empirical study.

Point-of-purchase displays drive in-store sales

The results, as presented in Figure 1 indicate that the vast majority (75%) agreed, with 24% of respondents agreeing and 51% strongly agreeing that that point-of-purchase displays drive in-store sales. 14% of respondents disagreed in this regard. The mean value was 4.06, indicating the degree of agreement that point-of-purchase displays drive in-store sale.

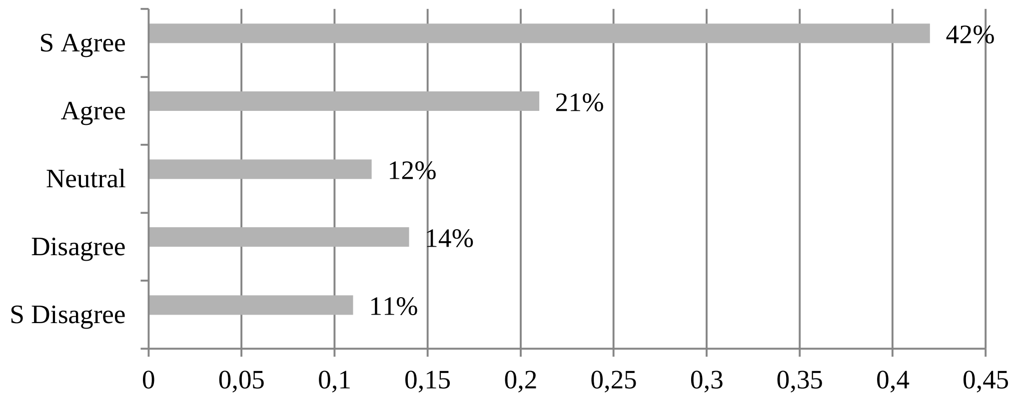
Figure 1. Point-of-purchase displays drive in-store sales



Point-of-purchase displays contribute to a retailer's profits

21% of respondents agreed and 42% strongly agreed, meaning that 63% of respondents were in agreement that point-of-purchase displays contribute to a retailer's profits. The results are presented in Figure 2. The mean value was 3.69 suggesting the overall extent of agreement in this regard.

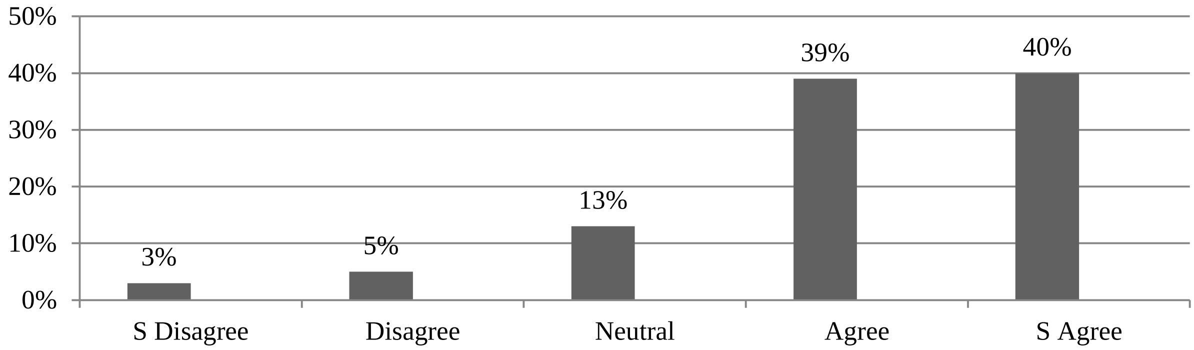
Figure 2. Point-of-purchase displays contribute to a retailer's profits



Point-of-purchase displays drive impulse purchases

It emerged that the vast majority (79%) agreed, with 39% of respondents agreeing and 40% strongly agreeing that that point-of-purchase displays drive impulse purchases. These are reflected in Figure 3. The mean value was 4.08, an indication of the strong agreement that that point-of-purchase displays drive impulse purchases.

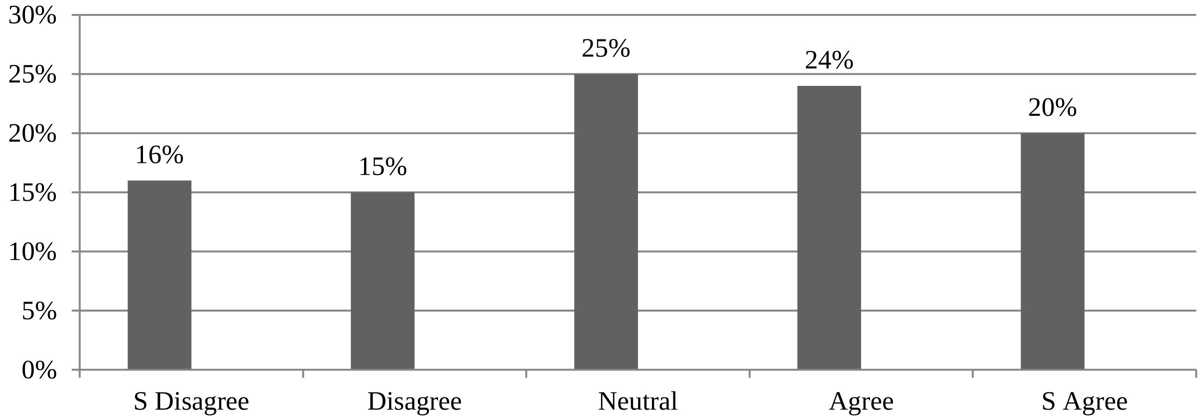
Figure 3. Point-of-purchase displays drive impulse purchases



The greater the number of point-of-purchase displays, the greater the sales

As reflected in Figure 4, 31% of respondents disagreed (16% strongly disagreeing and 15% disagreeing) that the greater the number of point-of-purchase displays, the greater the sales. The majority, at 25% were neutral and 44% agreed (24% agreeing and 20% strongly agreeing) in this regard. The mean value was 3.17, suggesting that generally, respondents did not strongly believe that more point-of-purchase displays meant more sales.

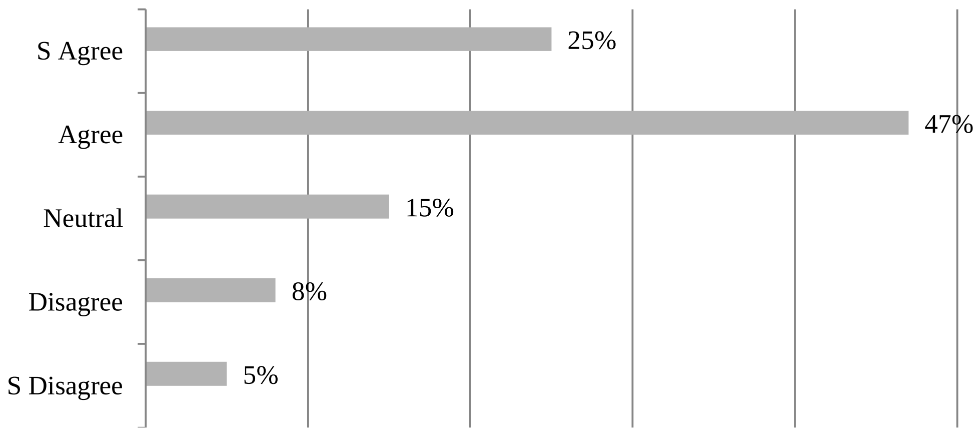
Figure 4. The greater the number of point-of-purchase displays, the greater the sales



Point-of-purchase displays create an interactive retail experience

The results, as presented in Figure 5 indicate that the vast majority (72%) agreed, with 47% of respondents agreeing and 25% strongly agreeing that point-of-purchase displays create an interactive retail experience. 13% of respondents disagreed in this regard. The mean value was 3.89, indicating the degree of agreement that point-of-purchase displays create an interactive retail experience.

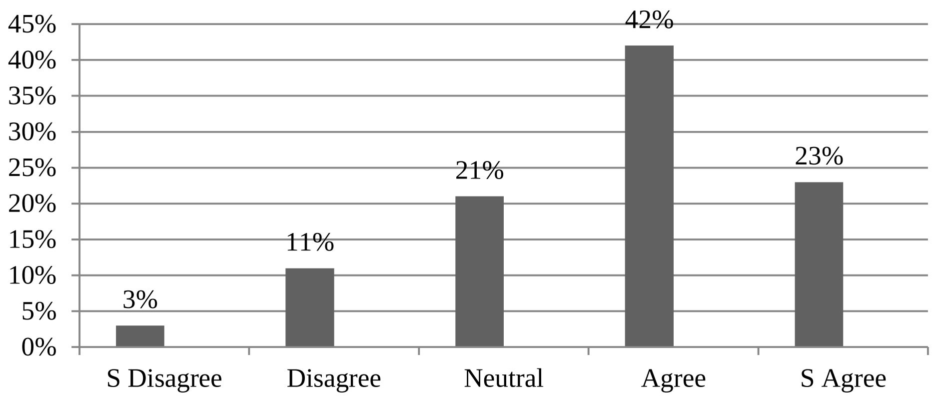
Figure 5. Point-of-purchase displays create an interactive retail experience



Point-of-purchase displays create loyalty to the brand and the retailer

42% of respondents agreed and 23% strongly agreed, meaning that 65% of respondents were in agreement that point-of-purchase displays create loyalty to the brand and the retailer. The results are presented in Figure 6. The mean value was 3.71 suggesting the overall extent of agreement in this regard.

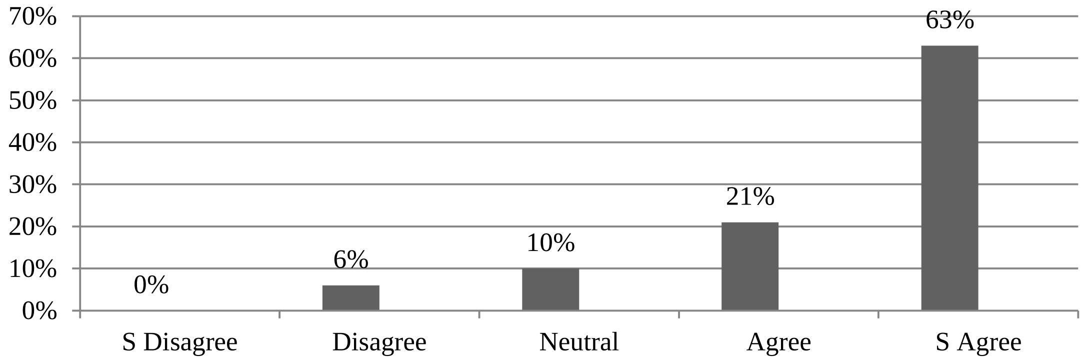
Figure 6. Point-of-purchase displays create loyalty to the brand and the retailer



Point-of-purchase displays alone can drive sales without a price reduction

As reflected in Figure 7, 84% of respondents were in agreement (21% agreeing and 63% strongly agreeing) that point-of-purchase display alone can drive sales without a price reduction. 10% were neutral and 6% disagreed in this regard. The mean value was 4.41, suggesting that generally; respondents were of a strong belief that point-of-purchase displays alone can drive sales without a price reduction.

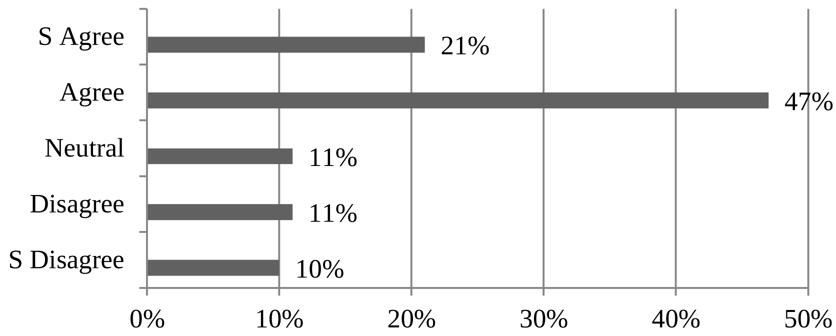
Figure 7. Point-of-purchase displays alone can drive sales without a price reduction



The rate of sales determine space allocation in a prime aisle position

The results, as presented in Figure 8 indicate that the vast majority (68%) were in agreement, with 47% of respondents agreeing and 21% strongly agreeing that that the rate of sales determine space allocation in a prime aisle position. 21% of respondents were in disagreement in this regard. The mean value of 4.58 is indicative of the strong degree of agreement that the rate of sales determine space allocation in a prime aisle position.

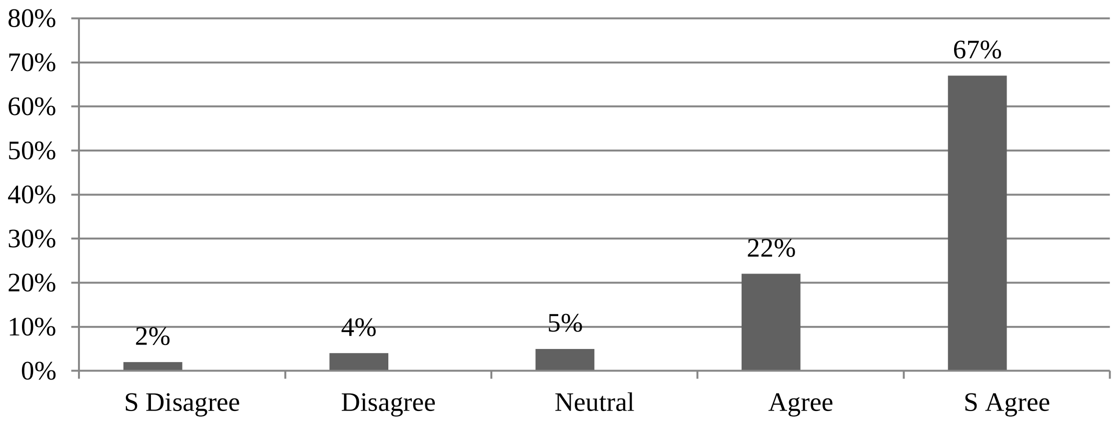
Figure 8. The rate of sales determine space allocation in a prime aisle position



Payment for space determines space allocation in a prime aisle position

It emerged that the vast majority (89%) were in agreement, with 22% of respondents agreeing and 67% strongly agreeing that payment for space determines space allocation in a prime aisle position. These are reflected in Figure 9. The mean value was 4.48, an indication of the strong agreement that that payment for space determine space allocation in a prime aisle position. The findings are consistent with those in the aforementioned section where it became evident that the rates of sales determine space allocation in a prime aisle position.

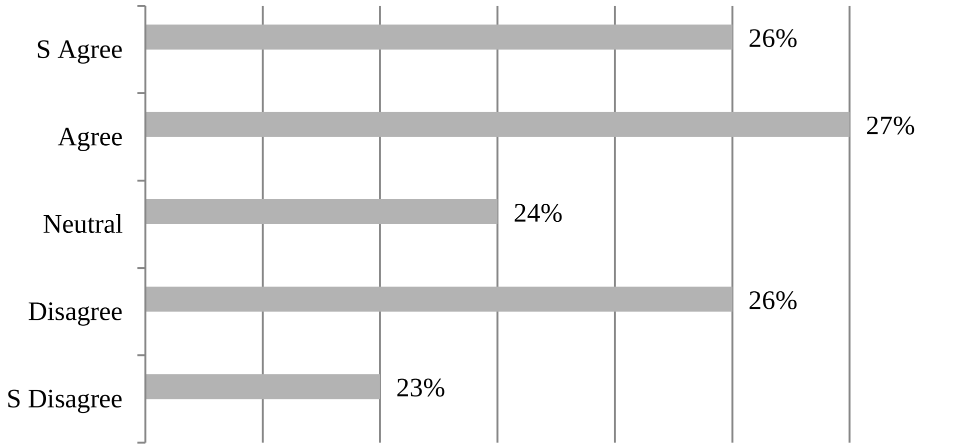
Figure 9. Payment for space determines space allocation in a prime aisle position



Point-of-purchase displays create too much clutter in my store

As reflected in Figure 10, there appears to be a similar distributing of opinion among the scale categories on point-of-purchase displays creating too much clutter in stores. The minimum frequency was 23% of respondents strongly disagreeing and the maximum, 27% of respondents agreeing that point-of-purchase displays create too much clutter in their stores. The range of 4% supports the close spread of responses, implying that there were varying opinions on the issue of clutter in similar proportion. The mean value was 3.85.

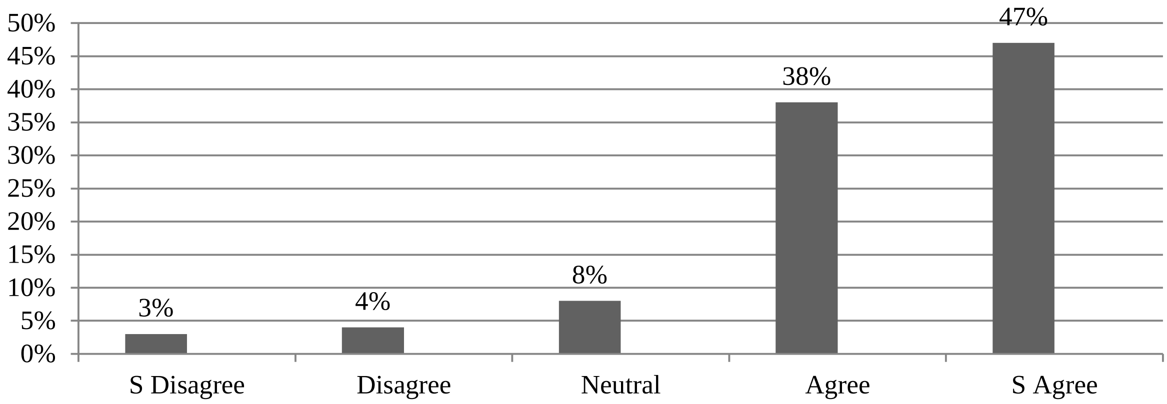
Figure 10. Point-of-purchase displays create too much clutter in my store



The bargaining power of marketers influences point-of-purchase decisions in my store

As reflected in Figure 11, 85% of respondents were in agreement with 38% agreeing and 47% strongly agreeing that the bargaining power of marketers influences point-of-purchase decisions in their store. 8 % were neutral and 7% were in disagreement in this regard. The mean value was 4.22, suggesting that overall, respondents strongly believed that the bargaining power of marketers influenced point-of-purchase decisions in their store.

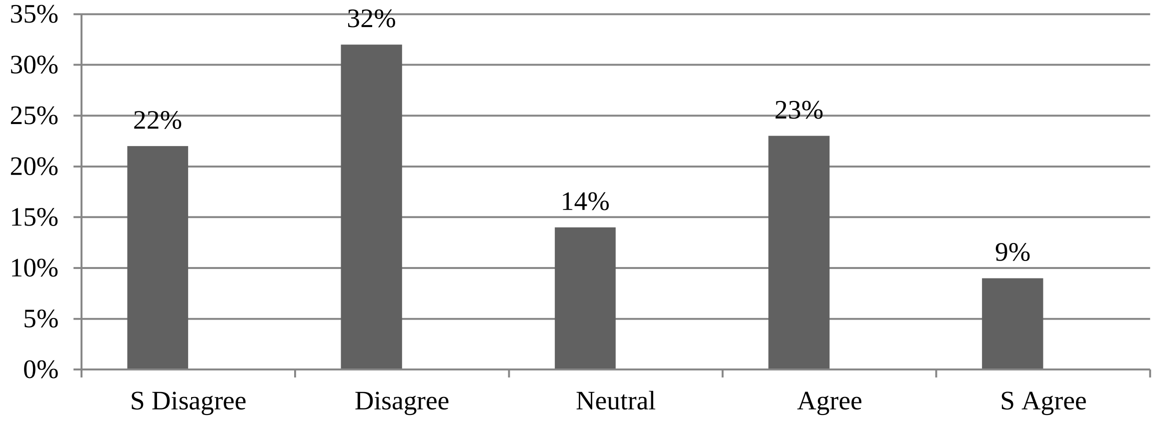
Figure 11. The bargaining power of marketers influences point-of-purchase decisions in my store



Point-of-purchase information caters for low literacy consumers

It emerged that the majority (54%) were in disagreement, with 22% of respondents strongly agreeing and 32% strongly disagreeing that point-of-purchase information caters for low literacy consumers. 32% of respondents were in disagreement and 22% in strong agreement in this regard. These are reflected in Figure 12. The mean value was 1.92, an indication of the sentiment that, overall, respondents felt that point-of-purchase information did not cater for low literacy consumers. This is an important consideration in light of a large proportion of the South African consumer market having low literacy levels.

Figure 12. Point-of-purchase information caters for low literacy consumers



Conclusion

The results show that respondents believed that point-of-purchase displays did indeed drive in-store sales. This needs to be seen in the context of respondents also acknowledging the importance of point-of-purchase displays also contributing to their stores' profits. The aforementioned suggests the importance place on point-of purchase displays insofar as turnover and profitability were concerned. It emerged that point-of-purchase displays influenced impulse purchase, an important consideration, given the prevalence of impulse purchases among consumers. Interestingly, the findings indicate that more point-of-purchase displays do not translate into more sales, suggesting that respondents were mindful of the clutter factor. It will reach a point when an excessive number of point-of-purchase displays leads to diminishing returns. The findings highlight the role of point-of-purchase displays in making shopping a more interactive experience. It also became evident that point-of-purchase displays create loyalty both to the brand and the retailer, suggesting its role in establishing a relationship with the customer. What also became clear was that point-of-purchase display alone can drive sales without a price reduction. It emerged that there was strong agreement that the rate of sales as well as payment for space determined space allocation in a prime aisle position. It could be reasonably argued that sales levels are linked to payment for space, i.e. the higher the sales, the more a marketer would be willing to pay for a prime aisle location. The results suggest a cause for concern with regard to point-of-purchase displays creating clutter in stores. This can be explained in terms of the large number of marketers clambering for their "slice of the customer", often resulting in supermarkets using whatever space available to accommodate marketers, even at the expense of customer movement space. Retailers need to be selective in the management of point-of-purchase displays. One possibility is to consolidate the point-of-purchase display, with greater impact, for a particular marketer, rather than having several smaller displays, with smaller impact. The findings allude to the power exerted by suppliers with strong bargaining power on point-of-purchase displaying in supermarkets. This has raised concern in recent years where powerful marketers have been accused of using strong-arm tactics in the retail environment in which they operate, much to the disadvantage of smaller and also emerging marketers. It has become evident that low literacy consumers are placed at a disadvantage at point-of purchase because of the difficulty in comprehending messages. To this end simplifying the language on packaging or using signs and symbols may facilitate better understanding of the marketer's message by the consumer, leading to customer confidence and the possibility of repeat purchase.

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