UNIT 12 ATMOSPHERICS

Objectives

After going through this unit, you should be able to:

- understand the role of atmospherics in retail business;

- evaluate the various components of store atmospherics;

- understand the techniques of retail space planning and performance measures;

- recognize the concept and techniques of visual merchandising; s evaluate the context of retail environment planning; and

- identify the issues related with atmospherics in Internet retailing.

Structure

12.1 INTRODUCTION

As a regular shopper you must have visited a number of shopping malls and shopping complexes your location and understood the strategic importance of atmospherics and Retail Space Management which is vital to any form of retail business. Its significance emerges from the link between shopping behaviour and physical environmental factors. These physical environmental factors influence the perception of shopping duration spent and the evaluation of merchandise and hence it becomes important for the retailer to effectively plan and organise all the aspects related to atmospherics and retail space to be able to optimise scarce resources and improve profitability. Atmospherics refers to the physical characteristics associated with the store that includes interior and exterior elements, as well as layout planning and display. Atmospherics plays a major role in attracting customers to the store, improving the quality of service experience, creating a brand positioning for the outlet, and improving customer retention rates.

An equally important and related concept is retail space management. Effective space management attempts to ensure optimum utilisation of retail space along with convenience to customers and employees. There are also emerging critical issues related to atmospherics in the context of Internet retailing. The effective use of technology and design element is the key to higher clicks, browsing time and sales.

12.2 IMPORTANCE OF ATMOSPHERICS PLANNING

Atmospherics planning is increasingly gaining relevance for all kinds of retail setups like planned shopping centres and life style stores. Where exterior atmospherics refers to the aspects like store front, display windows, surrounding businesses, look of the shopping center etc, while interior atmospherics refers to aspects like lighting, color and dressing room facilities that enhance the display and provides customer with information. Therefore, Atmospherics plays an important role in creating a brand positioning for the outlet, attracting new customers, facilitating better organisation of the store and its merchandise and enriching the shopping experience. The role of Atmospherics in Retail Strategy is mainly to:

- Enhances the image of the retail outlet and attract new customers,

- Creates a definite Unique Selling Proposition (USP),

- Facilitates easy store movement and access to merchandise,

- Ensures optimum utilization of retail space,

- Reduces product search time for the customer,

- Reinforces the marketing communication of the outlet and influence the service quality experience.

The physical surroundings, in service settings such as retail outlets, are vital signs to service quality expectations. Some of these are:

a) The choice of fixtures, decor and signage can greatly alter consumer perceptions of a store.

b) Signs indicate services offered and often hang above or behind the service counters. Effectively placed signs can help to reinforce customers in their role in service encounters.

c) Uniforms, or similar attires for employees, help alleviate customer anxiety as they feel embarrassed to ask if somebody works there. It also reassures customers that the service employee is a professional.

d) Inexpensive and cheap fixtures may indicate that the retailer cuts corners, while overly expensive fixtures may indicate that the retailer is making large profits and over-pricing products. Hence, quality of fixtures is a symbolic cue to the consumers.

e) In-store elements such as colour, lighting, and music may have a bigger effect on purchase decisions than other marketing inputs such as advertising or point-of-purchase displays.

f) Background music enhances customer perception of the store's atmosphere and influences the amount of time a customer spends in a store. An added benefit is that employees perform better when there is background music, which increases job satisfaction.

g) All these settings contribute to an integral part of the service quality experience for the customer.

Environment should be constructed to encourage or discourage approach behaviours. To support this statement, three immediate effects of retail unit environment stimuli have been identified, which are:

- **Pleasure-Displeasure**, which entails whether shoppers have perceived the environment as enjoyable or not enjoyable. For example, playing classical music in Hindi should enhance shoppers' enjoyment in specific kind of service settings in North India, whereas same music might diminish shopping experience in Punjab retail units.

- **Arousal** assesses the extent to which environment stimulates the shoppers in particular environment. Playing slow instrumental music may result in subdued activity level from customers in service settings such as restaurant relative to no music or fast music. Therefore, nature of music in specific retail environment can decrease or increase in arousal.

- **Dominance** concerns whether customer feels dominant (in control) or submissive feels (under control) in the service environment. This is a feeling that could be related to environmental aspects like the height of the ceiling that makes one feel small (in control). Individuals associate the color red with active, assertive, and rebellious moods whereas they associate blue with sedate tranquility and a suppression of feelings. The nature of mood that needs to be portrayed therefore lies in the right choice of colour.

Activity 1

Record some important features of atmospherics of three kirana stores in your locality and point out some selective facts if any.

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12.3 KEY COMPONENTS OF RETAIL ATMOSPHERICS

The essential inputs of atmospheric design like the use of lighting, colour, and signage play a valuable role in both interior and external atmospherics and also in visual merchandising. Likewise, the nature of physical materials used and wall painting also play an important role in the following key four components of retail atmospherics i.e.;

1) External atmospherics

2) Internal atmospherics

3) Store layout

4) Visual merchandising

External Atmospherics

Exterior atmospherics refers to all aspects of physical environment found outside the store which includes store entrances, main board, marquee, windows and lighting etc. Storefront of every retail store exhibits a specific image such as traditional, up market or discount store to the shopper. In competitive markets, retailers can use the storefront as a strong differentiating factor and attract and target new customers. The major influencing aspects of external atmospherics can be discusses as below:

- **Retail Store Entrance:** In India, most of the traditional retail stores enjoy open entrance with no provision for entrance doors and security guards while in some leading markets retailer or owners of the stores even stand outside and' invite passing by shoppers to visit their store and communicate the availability of specific merchandise. New age planned shopping centers and retail stores ensure accessibility to all customers, including those using wheel chairs and also provide for security of the store when it is closed. Most of the independent retailers prefer open entrances even in central district markets which are open market areas, in order to place a part of their merchandise outside the store. The most common store entrance alternatives used these days are: shutter-covered, modular fabrication, prefabricated structure and in prototype storefront.

- **Display Windows:** Display windows are very common features among retailers dealing in garments and gifts items. This feature is even very prevalent among small towns' retailers. For example, Titan watches provides valuable inputs to Time Zone (First organised chain of retail stores in India) franchisers to install impressive moveable windows to display their merchandise, which not only communicate with prospective shopper but all attracts new customers to the store.

- **Marquee or Sign Board:** A marquee includes painted or neon light, printed or script, and store name alone or mixed with trademark and other important information. Pizza Hut, McDonald, Barista, and Bombay Selection owns widely acknowledged marquee. In India, most of the independent retailers use tin board and get it painted to place it outside the storefront. The quality of marquee influences the image of the store perceived by the customers.

- **Parking Facilities:** Parking facilities play an important role in the success of a retail firm. The importance of parking facility is of great significance in urban shopping center where number of car owners is increasing day by day and want to drive to shopping centers Limited or no parking facility in traditional centers is attributed to less than one per cent ownership of automobiles in India.At the same time, Indian consumers prefer to purchase from the nearby shopping center which can be approachable by walk or public transportation. Therefore, this aspect was remained neglected for long.

Internal Atmospherics

Interior atmospherics refers to all aspects of physical environment found inside the store. Point-of-purchase interaction and retail unit decoration influences the customer and in turn sales of the retail unit. Store physical environments have influence on shopping behaviour through mediating emotional states. The retail unit environment contains various stimuli that might be perceived by the customer's senses and each stimulus offers many options with regard to shopping behaviour. For example, store music varies by volume, tempo, pitch and texture and by the specific songs played. In addition, various individual stimuli can be combined to create unique atmospheres. To project an upscale image, a retail owner/manager choose folk music, modest colours, elegant perfumes, cool temperatures, inadequately displayed merchandise, and low lighting.

Two key aspects of internal atmospherics are

a) **Retail Store Image** is one of the most powerful components of retail positioning strategy and one of the most powerful tools in attracting, influencing, and, satisfying consumers. Retailer or manager is expected to design or redesign a store, with an objective of influencing customer's buying decisions and shopping behaviors.

- For example McDonald uses bright lights in their stores as it keeps customers in high spirits and ensures a high activity level. On the other hand, Ruby Tuesday maintains a more dull lighting, which ensures a subdued customer activity level and makes sure that most of them remain confined to their table.

b) **Music:** Music is one of the key environmental variables that can impact shoppers. Environmental factors like music affect the time spent in the store, propensity to shop and satisfaction with the shopping experience.

Store Layout

Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. It involves decision about allocation of floor space, product groupings and nature of traffic Flow. Nature of traffic flow can take the form of straight or Grid traffic flow, Free-form flow (curving) or racetrack flow. Some=retailers also operate a storied layout to meet their specific requirements.

Grid: It is commonly used by conventional grocery stores as it facilitates planned shopping behavior since customers can easily locate products on their shopping list. Kirana and drugs stores owners or managers commonly employ the grid layout. Grid design is considered cost efficient by retailers in terms of space utilisation, besides aisles of same width and design permit easy movement of shoppers and carts.

Free-form: It is mainly used by large department stores (for e.g., duty free shops).Also, commonly used in small specialty stores and departments of large retail stores. In free-form layout places fixtures and aisles asymmetrically. This provides informal setting to shoppers, which facilitates shopping and browsing. It is also referred to as boutique layout. Role of sales people on retail floor becomes more important in this layout in comparison to grid or racetrack layout since customers are not drawn easily to stores in free form layout.

Racetrack: It offers an unusual, interesting and entertaining shopping experience while it increases impulse and promotional purchases. Customers visiting shops with this particular layout are required to navigate through specific paths and therefore to visit as many store sections or departments as possible. They are therefore exposed to a great number of products and promotional material. "

Storied Layout

This is very common variant of store layout design among Indian independent and leading retail chains in organised sector. This layout not only provides the best utilisation of floor area but also permits the retailer to set separate section for particular product category. Storied layout is very popular among the leading fashion departmental stores and supermarket in India such as Lifestyle,Shoppers' Stop, Sarvanas and pantaloon. Storied layout save a substantial amount of initial investment of the retailer or developer with increased real estate prices in the emerging retail market in India.

Visual Merchandising

Visual merchandising is defined as presentation of products in order to sell them. Good displays shout to the world that the retailer cares about his image and merchandise and, most importantly, about entertaining, informing and educating his customers. Frequent changes encourage the customer visiting his normal section to also wander about and discover additional novelties.

Visual merchandising' includes various aspects like: store floor plan, store windows, signs, merchandise display, space design, fixtures and hardwares, and the elements that come with it which may be too many to mention. Visual Merchandising has been around since the dawn of civilization, since humans

started selling merchandise to a customer. Visual Merchandising has become more sophisticated and more encompassing than arranging merchandise for easy access to customers. Visual Merchandising elements are put into practice from designing the floor plan of the store to the beautiful mannequins that grace the store floor.

When buying store fixtures and display merchandise for a retail store, a number of factors must be considered to be able to make the best possible choice. Some of the key factors are discussed below.

Product Line: Characteristics of merchandise need to be considered while deciding the fixtures to be used for display. Wooden racks or shelves can be effectively used for apparel or packaged FMCG products. However, mirrored showcases are preferred for jewelry or gift items sine they ensure better safety and presentation.

Customer Profile: Retailers have to take into consideration the profile and expectations of its target segment. Stores, which primarily cater to functional rather than hedonic needs, do not require very fancy fixtures. Hence they can reduce intensive investments in fixtures and pass on the benefits to the customer. Examples of such stores are **kirana shops, chemist store**, and other neighbourhood stores. Many smaller eating joints and dhabas use inferior quality or low cost furniture and fixtures. This is done keeping in mind the socio-economic profile of its customers and also the fact that customers do not expect Dhabas to provide fancy and expensive decor. Stores targeting the high-end customers invest a lot in fancy and unique fixture design and arrangement to generate an exciting and inviting store environment, thereby attracting customers and building its store image. *

Level of Competition: Level of competition is a significant factor in determining the kind of fixtures to be used by a retailer since it provides him with a unique selling proposition. For instance, most of the eating joints and garment stores in urban centers of India were using very limited display options. However the advent of international players such as McDonald's, KFC, Marks and Spencer, Benetton, Levy etc. the more up-market retailers are pushed to refurbish their display and interiors to keep pace with competition and continue to attract customers.

With a theme of the display determined and the location for it planned, the retailer needs to examine the components of the display. The various components of the display are as follows:

Wall Displays: refers to slatwall panels and fixtures, gridwall panels and displays, slotted wall standards, face-outs, hangrails, and shelving.

Floor Fixtures: gridwall panels and accessories, garment racks, display cases and counters, metal shelving gondolas, floor and cube merchandisers. A dump display is merchandise displayed by being dumped or heaped in a pile, usually in a bin or on a table. Dump display can be used as Bulk Dump Display and Dump Table Display,

Display Products: like mannequins and body forms, clear acrylic displays, countertop and jewelry displays.

Supplies & Equipment: include hangers and steamers, tagging supplies and labelers, packaging and shopping bags.

Promotional Items: like window signs and banners, sign holders and sign cards, sale tags and tickets. These items should be used to enhance the product for sale or help in furthering the story or theme

Lighting Fixtures: include track lighting and accessories including rope lights. It is important to use proper lighting to make the product "pop" in the display. Incandescent spots are very effective here. Lighting needs to come from more than one direction for a balanced presentation.

Signage: should be professional, never handwritten, and regardless of the size. Bin tags, bin labels, peg tags, shelf labels, planogram tags. Shelf tags aid in the proper placement of product and frequently include price information for customers in lieu of price marking the individual items.

Activity 2

Compare the various components of visual merchandising in

a) Two independent apparel retailers in central business district.

b) A fashion department store

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12.4 VISUAL MERCHANDISING IN INDIA

Unlike the western countries, where visual merchandise receives highest priority in commercial planning of a product, the Indian retail industry's understanding and practice of the concept of visual merchandise is inadequate. With the advent of foreign players and chain stores, independent retailers have to compete purely on the competitive edge of the merchandise and visual merchandise will be a helpful tool in projecting the uniqueness of the products and thereby increasing the market access and sales. It is high time that the Indian retailers are opting for new age visual merchandise management in place of the traditional practices of display of merchandise. Still majority of the retailers in unorganised sector extends limited importance to visual merchandise in the retail marketing mix.

Two interesting examples can be discussed in this context - Raymonds and Parade, a retail store in Mumbai. Raymonds, the first men's garment retail chain in India, has always taken visual merchandising seriously. Their management has hired a professional agency for consistent and picture-perfect window display. They prefer a theme based merchandise display that does not involve the use of expensive raw materials. They feel that a theme-based display provides management with required flexibility and incorporating new ideas. Some time back they did a window display with a construction theme. However it had to be scrapped because "it failed to target the right clientele". They have appointed a professional agency to train the sales staff of Raymond's branches all over India by conducting workshops and slide shows. Management penalises branch personnel who skip such training programmes. Most Raymond's stores ensure' one huge deep window, which provides sufficient and attractive scope to display merchandise.

12.5 STORE SPACE MANGEMENT

Space and inventory are the two most important resources of the retail firm. The best possible allocation of the store space to departments, product categories, storage space and customer space, is a major challenge for the owners and

managers of the store. Retailers acknowledge the importance of space management for the success of business. It has two way bearing on retail business - it not only attracts business by ensuring convenience to customers but also places the merchandise in accordance with the salespersons' work allocation. The key objectives of retail space management are:

1) To obtain a high return on investment by increasing the productivity of retail space. This requires effective utilisation of space for merchandise display and customer movement.

2) To ensure compatible, exciting, and rational interface between customer; merchandise and sales people.

The space management decision also has an important influence on sub-decisions like:

a) Location of various departments

b) Arrangements between departments within the shopfloor

c) Selecting the layout with customer behavior in mind

d) Planned traffic flow of customers

12.6 RETAEL PERFORMANCE MEASURES

Sales and profitability are considered established measures of retail unit success. Similarly they can be used to measure the performance of retail space management. The measures of retail space performance indicate the productivity of retail space. The three commonly used retail space performance measures are sales per square meter or profit per square per meter, sales per linear meter or profit per linear meter and sales per cubic meter or profit per cubic meter.

a) Sales per Square Metre or Profit per Square per Meter

It measures retail space performance on the basis of sales/profits according the area of floor space covered. This measure is conducive to use when only single layer of merchandise is displayed and various type fixtures are placed. This is a common measure for the fashion retailing. Take a look at figure 12.1 for a better idea.
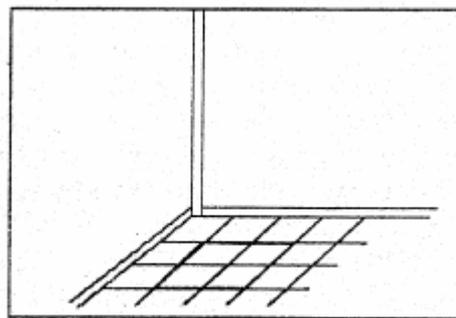

Figure: 12.1 Sales/Profit per Square Metre

b) Sales per Linear Meter or Profit per Linear Meter

It measures retail space productivity on the basis of income generated by footage of shelf space allocated. This measure is more suitable for the stores using multi-shelved fixtures such as a gondola or racks. It takes into consideration linear meter value of shelf rather than the area of space exposed in terms of the height value of shelf. Figure 12.2 given below will help you understand this better.
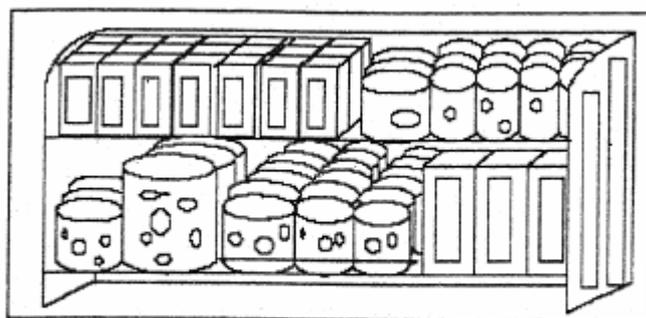
Figure: 12.2 Sales/Profit per Cubic Metre

c) Sales per Cubic Meter or Profit per Cubic Meter

It measures retail space performance on the basis of length, width, and depth of the fixtures placed in the store. This measure is necessarily used by retailers in the frozen food business or those who place dump bins on the retail floor. Take a look at figure 12.3
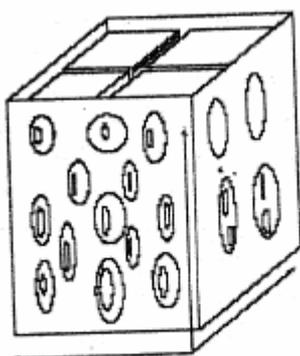

Figure: 12.3 Sales/Profit per Cubic Metre

Space-to-sales ratio, turn rate and gross margin R01 analyses can help create the most profitable planogram for the retailer. In effect the performance of retail space depends on the levels of sales and the profitability of the merchandise place within the space and the value of the retail space. Retail space allocation decisions are conceived and implemented at department level, category level and SKU level in respect of big departmental super market stores. Whereas, small retailers' major concern is to ensure the placement of all kinds of merchandise in the limited shop floor area and to have smooth access to merchandise for themselves rather than customers, as no provisions for customers to enter store. Space allocation is the process of distributing the right amount of space to the right merchandise at the right time according to a detailed analysis of customer demand. It's loaded with tremendous complexity, spanning systems for data warehouses, distribution centers, transportation networks and product planning.

- *Sales as basis of space allocation*

Retailers have to decide about the sales data to be used for the allocation of space among merchandise. Three options available with retailers are historical sales data, market share and projected sales.

- *Profitability as basis of space allocation*

Profits are taken into consideration for determining the optimum allocation of retail space amongst the product categories. Product profitability is measured by gross margins, and gross margin return on investment etc. Profitability measures help the retailers to allocate quality and quantity of retail space to the profitable product categories and departments at priority. It also keeps check on the retailers' unnecessary allocation of large space for the merchandise that would sell just as well in a limited place.

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12.7 ATMOSPHERICS IN THE CONTEXT OF INTERNET RETAILING

The development of the web as a retailing medium needs us to understand the implications of web atmospherics. In context of e-tailing factors like web site organisation, server performance, product data, a search option, and shopping carts all contribute to a positive web shopping experience. The easy navigability in the web site for a shopper who wishes to buy through the net is one of the first facilitating factors. Server performance directly affects the waiting time that is required for the obtaining results of searches. The easy access to product data & a click & browser friendly search option add to the convenience of the consumer. There is a negative correlation between waiting time and the evaluation of service satisfaction in brick-and-mortar retail stores. Though this can be mitigated through store atmospheric variables, the association is strong. Similarly, system response time is inversely related to computer user satisfaction (i.e., the longer the wait, the greater the dissatisfaction).

12.8 SUMMARY

Atmospherics and retail space management are important tools for success for retail business. They contribute to customer acquisition, retention through improved service experience, reduced costs and higher overall profitability. Atmospherics is referred to as a store's physical characteristics that are used to evolve the retail store image, and attract and retain customers. It has four key components - interior and exterior atmospherics, store layout planning and visual merchandising. Interior atmospherics refers to all aspects of physical environment found inside the store and includes attributes like interior flooring, interior store design, level of cleanliness etc.

Exterior atmospherics refers to all aspects of physical environment found outside the store and includes attributes like nature of store entrance, main board, marquee, windows display, parking facilities etc. Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. Visual merchandising, also referred to as display, is defined as presentation of products in order to sell them.

Store space management deals with the best possible allocation of the store space to departments, product categories, storage space and customer space. It is a major challenge for both owners and managers of the store. Research has also indicated the multiple uses of colour and how it can be integrated into the entire store design and layout. It is important to organise the atmospherics as per the recommended colour schemes. Physical materials used in store construction and designing impact both the cost and presentation of the store interior and exterior. In the context of Internet e-tailing factors like web site organisation, server performance, product data, a search option, and shopping carts all contribute to a positive web shopping experience.

12.9 SELF ASSESSMENT QUESTIONS

1) Define atmospherics and its importance in retail marketing mix?

2) What are the key components of atmospherics and discuss each of them?

3) What is the relevance of store layout planning for a retail unit and discuss any two types of store layout,

4) Define visual merchandising and discuss important components of visual merchandise to leverage its benefits.

5) What are the components of merchandise display fixtures and give brief account of any three?

6) What are the major concerns of store space management and discuss retail space performance measures.

12.10 FURTHER READINGS

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