

WHITE PAPER

2018 Merchandising Solutions

Space Management and Fixture Considerations
to Maximize ROI



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Introduction: The Power of Merchandising

This white paper will examine space management and fixture management considerations to help retailers realize greater shoppability and ROI.

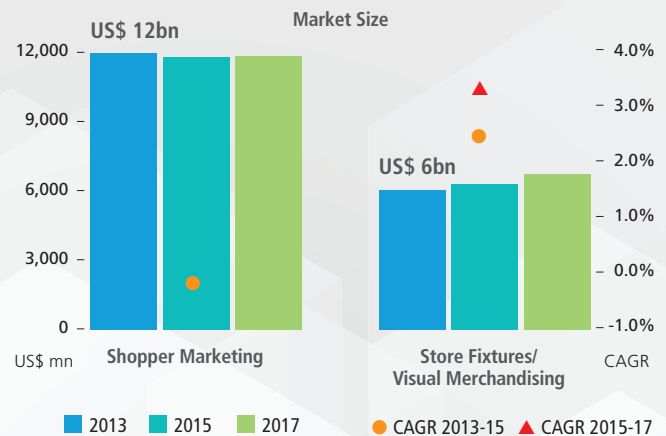
AS E-COMMERCE HAS made significant inroads in retail market share over the past decade, many brick-and-mortar retailers have been left wondering how to recapture and retain shoppers in the store environment. With the lines between physical and digital shopping experiences being increasingly blurred, it's imperative that companies know how to effectively manage shrinking selling space and how their store environments must evolve. To that end, merchandising remains a powerful tool in the hands of retailers that understand how to optimize display space using the right fixtures which can help attract customers, increase sales, and reduce labor costs.

"Visual Merchandising is more important than ever in the retail environment," says global planning, architecture and design firm CallisonRTKL Vice President Ignaz Gorischek, who has 35 years in the industry and leads the firm's Visual Merchandising team. "Visual Merchandising offers an opportunity to refresh a store in lieu of a more costly remodel. Evaluating sight lines for scale and height helps to maximize visibility and encourage exploration. Repositioning fixtures creates new traffic patterns. Strategically placing visual presentations provides moments of discovery and surprise and drives a customer through the store."

To be sure, Shop!'s *2016 Industry Size & Composition Study* revealed that store fixtures, visual marketing, and shopper marketing experienced significant growth over a four-year period, with sales reaching a total of \$18 billion in 2015 alone (see accompanying chart from the Shop! study).

Further, as retailers look to wring more sales out of their existing customers, effective merchandising becomes even more important to running profitable operations, according to the North American Retail Hardware Association's (NRHA) landmark *Merchandising for Profit* study. Retailers are trying to refresh, remodel, and reinvigorate their stores but are spending less money in terms of visual merchandising and are looking for less expensive solutions, the report concluded.

RECENT GROWTH OF STORE FIXTURES/VISUAL MERCHANDISING & SHOPPER MARKETING



As such, retailers are looking for customized, flexible, and attractive merchandising solutions to position brands/stores as unique. According to a recent IBIS World report, *Retail Store Fixture Dealers in the U.S.*, dealers are stocking portable pieces that break down easily, making it easier for them to either be moved to a different location or discarded. Additionally, material trends vary widely across channels, retailers, and brands, serving as strong differentiators with metal being more common in grocery, drug, and convenience stores, while wood is commonly used in apparel and department stores, for example, according to Shop!'s *Industry Size & Composition* study.

Selecting the right store fixtures and implementing effective Space Management and Visual Merchandising programs can build the brand/store image, tell the brand story, and create an experiential environment that will keep shoppers coming back for more, as this white paper will illustrate.

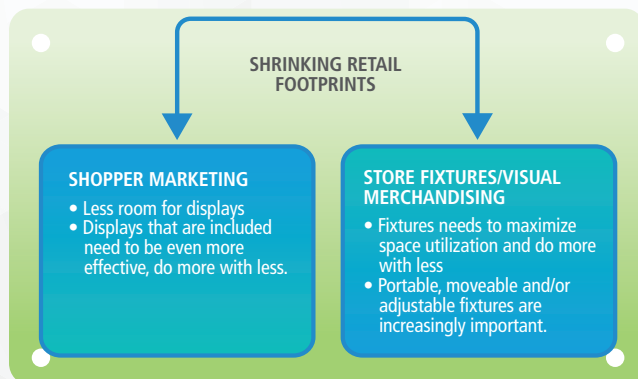


Space Management Considerations

ONCE CUSTOMERS ENTER the domain of brick-and-mortar stores, it's crucial for retailers to captivate their customers—especially in the digital age of online shopping in which consumers can easily purchase and ship an item they see in-store from their mobile devices. Even so, in-store shopping accounts for an estimated \$2.5 trillion or 87% market share compared to online shopping's 13%, according to Matthew Wood, president of Off the Wall Co., a store design and décor, and fixture and display manufacturer. As such, retail spaces need to be stimulating and attention-grabbing. However, a major challenge for retailers in this effort is the fact that stores are getting smaller, and the number of outlets is shrinking even as retail value sales are growing. Consumers are cutting back on the number of trips and doing more big-box, one-stop shopping trips or shopping online, according to the *Industry Size & Composition* study.

As a result, retailers and brands are asking how they can shrink footprints within brick and mortar establishments and still focus on a targeted product mix for the consumer. "Ensuring that our footprint is smaller and specific to customer needs establishes brand and retail loyalty," says Cheryl Lesniak at Frank Mayer and Associates. "This also makes it easier to shift focus from trying to sell customers on an item they already know that they want, to upselling them on upgrades and add-ons."

The implications for retailers and merchandisers planning the physical store environment include: a reduced amount of floor space for displays; more effective displays that do more with less; fixtures that maximize space utilization; and a greater number of portable, movable, and/or adjustable fixtures (see graphic below).



Valuable floor space in stores means that displays must adapt to the needs of retailers and possess a smaller footprint as well. Additionally, the process of refreshing, remodeling, and redesigning of stores is happening faster than ever before—and successful retailers are the ones who have the ability to change rapidly. According to the *Industry Size & Composition* study, the effects of this trend on shopper marketing and fixtures is significant and includes:

- Increased demand for turnkey solutions (manufacturer that can offer design, engineering, manufacturing, shipping/logistics, and setup.)
- Potential for more/less display adoption depending on retailer choices.
- Higher demand for fast, turnkey solutions
- Increased pressure to anticipate trends



With the pressure to remain agile and fresh with merchandising, it's important that organization of the floor and clarity of visual displays isn't sacrificed for novelty. If the process of finding a product becomes difficult, customers will be turned off and may not return.

For example, Eric Chiang, co-founder of Perfect Fit Meals, explains that his brand's food products are best displayed using vertical fixtures with horizontal push racks that the company sources from fixture manufacturer, Trion Industries Inc., which offer a streamlined appearance, efficient use of space, and ease of restocking. The verticality of the rack provides shoppability, browsing, and tight product spacing, while the horizontal tray provides auto feed, forwarding and facing to support sales. Additionally, the trays lift out to rearrange or restock in a matter of seconds.

Without them, Chiang says the product may end up looking like the bargain catch-all DVD bins in big box retail stores, or piles of clothes scattered throughout shelves and racks during Black Friday that have little to no organizational value. "People don't want to shop through that [mess], unless you happen to be a particular type of person that likes to deal hunt, essentially," Chiang observes. "Most people want to see a particular product displayed neatly and clearly, and have access to that product quickly. In grocery stores, especially, space management is going to be crucial; you want customers to find what they need and to find it quickly," he adds.

With that in mind, a thoughtful store layout using proper space management techniques can have a tremendous impact, even in smaller retail spaces. According to Wood, customers tend to move counterclockwise through a store, "which means any display just to the right of the door is premium space. Shoppers will pay attention to displays located here, so make sure the displays are stocked with high-profit items." Additionally, Wood says another effective tactic is to place staple items as far away from the front door as possible. "Make customers travel throughout the space to find basic items—milk and eggs if it's a food store, or paper and printer ink if it's an office store. This way shoppers will see many other items to buy before they spot what they came in to purchase."

Fixture Management Considerations

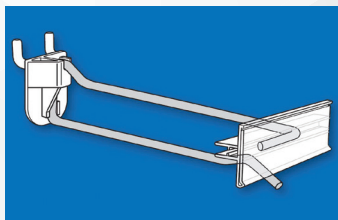
WHEN IT COMES TO MERCHANDISING and displays, selecting the right fixture for the job cannot be understated, especially as the footprints of retail stores are getting smaller and retailers are required to do more with less. Eric Chiang of Perfect Fit Meals says retailers who take a flexible approach to fixtures and displays will help brands that are seeking to develop an effective merchandising plan within the store environment. “If built in—if they’ve already designed these stores to be very modular in nature—it’s that much easier for brands to come in and plug in because it’s like a common frame that we’re all working from. And it’s cost effective for the retailer because they’re not over-investing in sets of fixtures that may change out every six months or a year,” he explains.

Chiang adds that modular fixtures can help streamline merchandising programs in terms of restocking, making the process much more easily managed. Perfect Fit Meals utilizes vertical fixtures with horizontal push trays, which aren’t new, per se, but maximize floor space and allow for ease of inventory changeout without adding significant costs.

The industry is following suit with the modular fixture trend, according to the *Industry Size & Composition* study. Sought-after features across many channels include flexible products, as well as those that are easy and inexpensive to update. Mobility allows retailers to avoid sparsely stocked fixtures during inventory fluctuations and gives them the flexibility to focus on and adjust the store layout as they see fit.

To help retailers select the right fixture for the job, Brad W. Cox, director of sales and marketing, and Rich Wildrick, director of engineering for Trion Industries, Inc. offer the following considerations for several fixture-type categories:

STRAIGHT ENTRY HOOKS—These fixtures are used for a few reasons: one is to be able to easily place display hooks tightly under shelves without needing to remove the shelves to do so. Standard



display hooks need to be steeply angled up to place them in a peg board, whereas straight entry hooks (either one- or two-piece) can be placed straight into the board, hence the name. Straight entry also allows the tightest display and maximum product density

throughout the display, not just under shelves. The other reason retailers use straight entry hooks is because it gives them an easier way to change a planogram as they can move a fully stocked hook instead of having to remove the product, as with a standard peg hook that needs to be angled up to remove and replace in the board.

SHELF MANAGEMENT SYSTEMS—Shelf management systems are used to assist in organization by keeping items in their own lane as they are shopped. Spring feed pushers can be added to keep the merchandise pushed forward to the shelf edge for best visibility. Some items cannot stand on their own due to packaging constraints, but by using shelf management a retailer can stand the item up to billboard the marketing information printed on the packaging



(bagged frozen vegetables, for example). Shelf management can also be used to limit shelf stock. By using a pusher system shorter than the shelf, a retailer can keep the appearance of the shelves looking full until the last item is sold, which leads to another benefit of shelf management: when a product is sold out it can be easily identified by the retailer to be restocked. Bar merchandisers come in many forms, from thin crossbar to square and rectangular tubing, and often allow tighter vertical spacing with less wasted space than shelves. Simple systems use hooks to merchandise items, while more intricate merchandising trays can be used to offer better product management.



SCAN HOOKS—Scan hooks are the primary fixture used to merchandise most hanging or carded items in retail. They consist of a lower merchandising arm and an upper arm that holds the scanning tag (price label) in front of the product for easy identification. The most sophisticated scan hook approaches include flatback backplates to avoid marring the display surface, flip front label holders that swing up for better product access, forward staging areas to billboard visual presentation, and simple, anti-theft profiles to prevent “sweeping” or mass theft of multiple items.



These types of fixtures, among others, can result in a number of benefits for retailers, including: increased sales, maximum visibility, enhanced package billboarding, proper product rotation, and increased facings.

Additionally, Cox suggests retailers look for several characteristics when making fixture management considerations. “Retailers should be looking to partner with an experienced fixture provider who is well versed in all aspects of merchandising. Fixtures should be consistent in quality, so planograms will look uniform when implemented from store to store,” he explains.

It is important to find a manufacturer who has multiple solutions to meet all a retailer’s needs from display hooks, bin systems, dividers, pushers, shelf management systems, and more. Of course, cost is another driving factor, so retailers need to be sure that corners are not being cut to reduce fixture prices that will end up costing them more money down the road. “We have seen reduced diameter wire display hooks not hold up and label holders yellow under UV lighting that was caused by inferior materials being used to reduce costs, when if they would have spent a little more upfront they would have gotten extended use, lower life cycle cost, and better consistency in these types of items,” Wildrick notes.

CASE STUDY:

Bar Merchandiser Works Wonders at Supermarket Chain

Bashas', the Arizona-based chain of more than 150 supermarkets, has served customers for more than 70 years, but while tradition is important, so is innovation when it can lead to increased efficiency and better customer service.

So Bashas' has embraced the WonderBar Merchandiser system from Trion Industries, Inc., first for bagged candy sales and then for cough drops, gum and bagged deli products.

"This has been a real value to us," said Ken Kniffen, Bashas' Director of Merchandising. "It is providing a more customer-friendly system, reducing shrink and labor, and improving the appearance of our stores."

Kniffen said Bashas' tested WonderBar and its Shelf Works and Expandable Wire Tray (EWT) system in the candy aisle, then installed it in all of its stores. "We tested it in our wall deli and with cough drops, so now we are moving them into every new store and major remodel for both of those categories, too."



Important benefits, he said, include ease of installation, ability to increase SKUs within the same space, elimination of shrink due to bag tears, and a reduction of restocking labor, all made possible by a flexible system that uses spring-fed pusher trays instead of peg hooks.

Here, Kniffen explains more about how the supermarket chain has benefited from using Trion's WonderBar and EWT system in its stores:

Q. By installing the systems, were you able to increase your candy offerings?

A. We gained 13 facings. With the trays, we have 68 items; before we had 55. The tray system fits on a square bar and can be tightened left to right, up and down. We think sales increased by an average of 15%, although in some stores, maybe as much as 20%. We increased variety by adding new facings in the same space.

Q. Did this success lead to enhancements elsewhere?

A. Yes. We asked Trion for a version of the tray in a taller system to accommodate the longer multipacks of gum, which never looked good. Trion created a more vertical unit, and they work great. We have them in all of our Bashas' stores.

Q. Have you seen gains in sales due to improved presentation?

A. The pusher bar system keeps the product available in the front, and it's easier for the consumer to shop. With the pegged system, it's difficult for many shoppers, unless they are tall, to see and reach the product after the first couple of units have been sold. But this system moves the product to the front so it is always available, reachable, and looks good. It gives a constant billboard presentation and always looks great.

Q. Can the right system reduce shrink and eliminate ripped packaging?

A. Yes, and that is significant because we don't have bags ripped at the prepunched hole, which was common in the pegged bag candy section. We have 800 to 1,000 units and none of them are torn. Previously, those torn bags became shrink (or loss), often resulting in a mess on the floor.

Q. What was the effect on labor required to manage the department?

A. WonderBar is faster and more efficient. You can rotate the product quickly and properly without things getting ripped. Staff can lift the tray out and rotate every single SKU individually. They just put the tray on the cart, push the spring bar back and drop in the new product at the rear to keep dated merchandise forward. It is far more efficient in terms of labor.



Q. What were the benefits in deli meat and cough drops?

A. In cough drops, we added eight new SKUs because of space gained. It is night and day compared to pegged cough drops. It holds them upright and looks perfect all the time. In the wall deli section, we were able to add 10 SKUs, and may expand into the perishable area as well.

Q. Does this help with resets?

A. Any chain going through remodels or resets can benefit. Just take the tray out, set it on the floor and fill it to reset the section. You save a tremendous amount of pain, headaches, and shrink.

Tying It All Back to ROI

GIVEN THE NUMBER OF SKUS that are introduced to the market each year (about 30,000), creating effective POP materials and merchandise displays that attract consumers to the product and provide sales lift is key to maximizing a campaign's ROI. In fact, NRHA's *Merchandising for Profit* study concludes that in-store merchandising is still a key component in retailers' ability to drive transaction size and additional sales. In the words of Trion, "being seen means being sold."

Case in point: Perfect Fit Meals purchased vertical fixtures with horizontal push trays for its prepackaged meals, which has made a tremendous difference in terms of ROI, according to co-founder Eric Chiang. Because the company's products feature clear packaging, Chiang says they must be merchandised upright, and Perfect Fit opted to use trays that feature back pressure to keep packages easily visible.

"For us it was absolutely crucial to be able to maintain our display standards as much as we could because as soon as we saw that retailers merchandised our product laying completely flat, we knew it would not be successful in the long run—it would not have enough traction and the shrink would just kind of bubble up to a point where it would not be sustainable," he explains. In those instances when a retailer incorrectly displayed the product, Chiang says Perfect Fit would offer another opportunity to the retailer to merchandise it upright, which "suddenly, it would make a difference. It was a slow process, obviously—it's not a drastic thing, but if [after merchandizing it correctly] the demand starts picking up and it becomes a sustainable program for them, it's actually very interesting to see."

What isn't overtly stated but is implied in the Perfect Fit Meals example is that the company was paying close attention not only to sales, but also the way their products were being merchandised in-store, which is a critical factor in improving ROI. According to Shop!'s *2017 ROI Standards: In-Store Marketing Materials*, calculating ROI starts with an

understanding of three baseline sets of data to build the ROI equation: in-store execution data on a store-by-store basis; cost factors; and performance data.

"The key to measuring the success of any in-store marketing campaign is to have clearly defined goals. These goals must be openly established and agreed upon in the beginning of each project," the standards document states. "Choosing the right tool to measure the goal is also critical. Attainable goals and measurable KPIs are essential to the success of a program."

Truth be told, many retailers will invest in new fixtures and displays in the hopes of achieving a healthy ROI, but fail to effectively measure the results. In fact, as Erik McMillan, CEO and founder of Shelfbucks, notes in a blog post, "I am surprised CPG companies spend billions every year on in-store merchandising campaigns with no intrinsic measurement capabilities. There is no comprehensive tracking of a display through the supply chain to the back of store, and eventually to the selling space in the front of store. Nor is it known if the display arrives after the campaign starts or even before it starts. It's been that way for decades, and the operational and economic fail points are astounding," he explains.

To avoid such pitfalls, retailers must not only invest in new fixtures and displays but also measure how well they perform. Additionally, there are several other factors retailers and brands should be paying attention to when it comes to ROI, according to Brad W. Cox, Director of Sales and Marketing, and Rich Wildrick, Director of Engineering at Trion Industries, Inc. In order to help increase facings, maximize visibility, and reduce shrinkage, Cox and Wildrick suggest retailers ask several key questions when making fixtures and display management considerations:

- 1 Are there time savings associated to a new fixture?** Will it take less time and man hours to restock it?
- 2 Can you get an updated, fresh appearance by adding a new fixture?** (Adding a new shelf edge label strip can give the appearance of a new shelf for a fraction of the cost, for example.)
- 3 Can the fixture aid in proper product rotation and reduce shrink due to spoilage?** (Certain bar-type merchandising and shelf-mount trays can do this for date-sensitive products like prepacked salads.)
- 4 Can more products be merchandised in the same space with more efficient fixtures?** (Again, merchandising trays can do this, as retailers can often add a row of product once shelves are removed and a bar based system is implemented. Bar systems hold more product space by tightening the display vertically—but previously mentioned straight entry hooks also increase display capacity, and shelf management tray systems with nested dividers save horizontal space on shelves.)

Clearly, thoughtful merchandising best practices help drive sales results higher in store environments, but it takes planning, execution, and consistent performance and cost monitoring to do so effectively.



Steps for Success

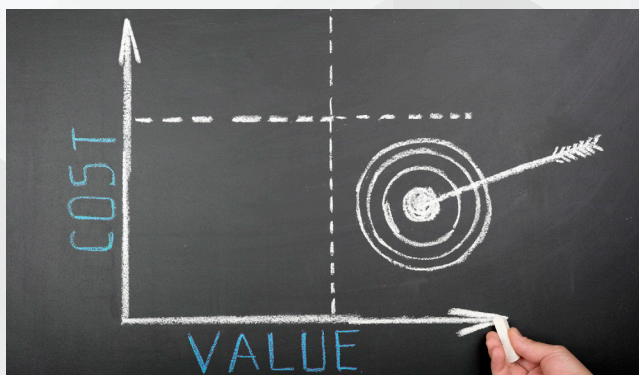
AS THIS WHITE PAPER HAS DEMONSTRATED, selecting the right merchandising fixtures can help to increase product sales and thus maximize ROI, if planned, executed, and measured effectively. Nevertheless, retailers must pay close attention to the overall in-store customer experience, which often dictates whether a customer will return to that store. Attractive fixtures and displays can help create a more inviting environment for customers, but many retailers have considered fixtures to be nothing more than a commodity.

However, the trend is changing, according to Mike Niemtow, CFO and founder of WindowsWear. "People have thought about fixtures as literally just tools to hold merchandise, but not necessarily represent or reflect on the brand," he explains. "There has been demand from certain smaller retailers and brands to have more artistic types of fixtures—fixtures that reflect who they feel that they are. They are literally looking for artists that they feel are a good fit in terms of creating fixtures that are still within their budgets but offer something more than just a commodified fixture that can be purchased in bulk or low price," he notes.

To stay competitive, retailers need to incorporate more creative and unique features in store fixtures and displays in order that customers can experience the excitement and appeal that they are looking for in retail settings.

While retailers can (and should) engage shoppers with creative design, the overall marketing goal is to persuade them to buy. To that end, following are several strategies to consider that can be used to accomplish merchandising goals whether used alone or in tandem (see chart at right).

Remember, while store footprints may be getting smaller and budgets remaining tight, retailers can still make a big impact on sales and ROI by employing some thoughtful merchandising strategies presented here.



SOURCES:

CallisonRTKL Launches Visual Merchandising Services For Retail Clients Worldwide, CallisonRTKL.com (2016)
IBIS World, *Retail Store Fixture Dealers in the U.S.*
Interviews: Erican Chiang, co-founder, Perfect Fit Meals; Brad Cox, director of sales & marketing, Trion; Ken Kniffen, director of merchandising, Bashas' supermarkets; Mike Niemtow, CFO & founder, WindowsWear; Rich Wildrick, director of engineering, Trion
Lesniak, Cheryl. Year in review: in-store merchandising. *Retail Environments*.

1 ATTRACT SHOPPERS TO PRODUCT

- Attract shoppers by creating stopping power and standing out at the shelf. When it comes to fixtures and displays, this includes considering color, shape, messaging hierarchy, imagery, and shoppability.

2 CREATE IMPULSE PURCHASE OPPORTUNITIES

- These displays are designed to persuade shoppers to buy something—typically something not on their list already. Placement within the store may come into play more than design considerations. Just about anything placed within the cash wrap area at the checkout is used to suggestive sell, thus generate impulse buys.

3 CREATE CROSS-SELL OPPORTUNITIES

- Cross-selling displays create a convenient shopping experience that typically connects the center aisle with the perimeter such as placing the Oreos next to the milk, for example. Cross-selling displays make it easy for shoppers to pick up items that go together. This is similar to how online shopping works (e.g., "You might also like..." or "Shoppers who like this also bought...").

4 ENHANCE CO-BRANDING

- Retailers can use endcap displays to cross sell products and preview what shoppers will find down the aisle. This type of co-branded display creates a win-win for the products to co-exist.

McMillan, Erik. If you can't measure in-store merchandising you can't make it better. Shelfbucks.com
North American Retail Hardware Association's (NRHA), *Merchandising for Profit*
Shop! 2016 Industry Size & Composition Study
Shop! 2017 ROI Standards: In-Store Marketing Materials
Wood, Matthew. Can store design deliver increased sales and customer loyalty? Off the Wall Co.



About Trion

For over 50 years, Trion Industries Inc. (www.triononline.com) has been manufacturing products that provide targeted merchandising solutions for retail businesses. The earliest concepts ranged from simple one-piece to sophisticated, articulated, straight-entry pegboard hooks. Today Trion fields full lines of auto-feed shelf management systems, cooler and freezer merchandising systems, storewide labeling systems, anti-theft and security fixtures, bar merchandisers, display and scanning hooks, and point-of-purchase display components and hardware. These are just a few of the tens of thousands of different products the company has created since it was founded in 1965 earning more than 120 patents. Trion has been a member of Shop! since 1972.



About Shop!

Shop! (www.shopassociation.org) is the global nonprofit trade association dedicated to enhancing retail environments and experiences. Shop! Represents more than 2,000 member companies worldwide and provides value to the global retail market-place through its leadership in: Research (consumer behavior, trends, and futures); Design (customer experience design, store design, display design, fixture design); Build (manufacturing, construction, materials, methods, logistics, and installation); Marketing (in-store communications, in-store marketing, technology, visual merchandising); and Evaluation (ROI, analytics, recognition/awards).

For additional questions about the information contained in this white paper, please contact us at: mbaumgartner@shopassociation.org or call us at 312-863-2917.



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