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EFFECTIVE COMMUNICATION WITH CUSTOMERS THROUGH VISUAL MERCHANDISING IN PHYSICAL RETAIL INDUSTRY

Case Shoe Stop Oy

ABSTRACT

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The objective of this thesis was to explore the effectiveness of visual merchandising and its usage among Finnish retailers. In addition, the author has tried to find the level of understanding about the visual merchandising among store manager and customers. The study also focused on exploring the effectiveness of visual merchandising in solving the current challenges faced by retail stores. Quantitative research methods were used because of the nature of the study. The case company, Shoe Stop Oy, is a small shoes store with local customers, located in Pietarsaari.

The theoretical part mostly covered topics such as visual marketing, visual merchandising and its elements, window display and its usefulness, and the current retail market situation and challenges faced by stores. General details about marketing topics were covered and the current retail market situation is presented.

The conclusion of the thesis was rather interesting. It was noted that both the store owner and customers were highly aware of the importance of visual merchandising tools and could easily differentiate between good and bad visual merchandising stimuli. Many elements of visual merchandising were used for communication by the store, and interestingly these messages were well received by the audience. The store has managed to gain a certain level of benefits through visual merchandising, although there remains wide area for improvement and exploitation. The research found that, regardless of the store size and business model, visual merchandising could be effective in solving problems related to store traffic, sales and brand awareness. The research found significant evidences that suggested that visual merchandising elements are effective tools for communication. Therefore, it was concluded that better and effective use of these tools could be answers to, many if not all, problems currently faced by stores.

ABSTRACT

Key words: Visual Merchandising, Window Display, Store Traffic, Retail Industry, Retail Challenges, Effective communication, shopping experience

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1   INTRODUCTION

Retail industry is a hot topic of discussion among academics, media, consumers, investors, and several other stakeholders. The reason behind such discussion could be due to the hardship faced by retail players. Many stores have closed already and several will be closed in due time. The situation is worst in the United States and similar hardship is faced by retailers in other part of the world such as Europe and Asia.

The author has been a participant of such discussions on several occasions and felt intrigued with the ideas presented by the participants. The discussions concerned by topics such as the root cause for the hardship faced by retailers, effective solutions that could be adapted by these retailers to mitigate or solve the problem, and the overall current market situations. Many of those ideas and arguments seemed valid and reasonable. The outcome of those discussions made the author to ponder on several aspects of retail business. After all what are the main reasons behind such drastic changes in retail world? What could be done to assure the survival of these once so-called market leaders in their business areas?

During the study, the author become familiar with many marketing theories and tools that are essential for survival of businesses, such as visual marketing, visual merchandising, store display, consumer behavior, and so on. Interestingly, these tools were familiar to author and of high interest. In addition, on several occasions, the author also participated in school related projects and gained in-depth knowledge of these tools. Such reoccurring events encouraged in further research on these tools and finding out the usefulness of these tools in solving the problems faced by the retail industry particularly in Finland.

The objective of this thesis was to explore the effectiveness of visual merchandising and its usage among Finnish retailers. The study also demonstrated whether the usage of visual merchandising elements in stores has the desired impact on consumer buying behavior and decision-making process in Finnish retail stores. The aim was to collect sufficient data, explore the market situation, and understand the level of awareness about the topic among store managers and customers. In addition, the aim was to provide relevant and recommendations based on the data to the commissioner – Shoe Stop Oy. If necessary, the author will also create needed key performance indicators to measure the impact of visual merchandising and its effectiveness.

The thesis was commissioned by a small retail shoe store located in Pietarsaari, Finland. The store has customers from all over Pietarsaari. The visual merchandise elements present in the store and the current customers of the store were studied to better understand the role of visual merchandising and its impact on the buying behavior of customers. In addition, another group of participants that may or may not be a regular customer of the store was surveyed. The idea behind surveying this group was to gain general understanding of visual merchandising tools and its impact on customer's buying behavior and impulse decision-making process. The outcome of these surveys is presented in their respective survey.

It is important to discuss all the relevant theories in the theoretical section. Generally, well discussed theories provide readers an effective tool to understand the entire research. In this thesis marketing theories such as visual marketing and visual merchandising are discussed as well as their differences, and the usefulness of visual merchandising and its elements. In addition, window display and its effectiveness are discussed. Furthermore, an overview of the current market situation in retail is provided and challenges faced by retail stores are discussed as well.

This thesis is divided into four different parts: theoretical review, data and methods, findings and discussions, and conclusion. In the theoretical review part, all relevant theories that are essential for readers to understand this report are covered. These theories are taken from multiple sources such as books, websites, articles, and previous theses. In addition, the author's personal experience from retail industry is used to discuss and support these theories. In the data and methods part, the methods used for data collection are described and the collected data is presented in a well-structured manner. In the findings and discussion part, the findings of the research are analyzed and discussed. At the end, the theories, research questions and findings are discussed.

2   VISUAL MARKETING AND VISUAL MERCHANDISING

The Roman architect and engineer Vitruvius said that "There exist three standards to which all structures should adhere: soundness, utility, and beauty". These standards also convey that a great visualization should be sound, which means the art that are shown in any design´s form should give the desired message. It should be useful to the audience who see the visualization and should find meaning from it. As well as it should be artistic, creative and esthetic enough to attract the customers/public attention and give them a pleasant visual experience. (Lankow & Crooks 2012.)

In the modern world, the above practice is termed as 'visual marketing'. Visual marketing is a widely used tool in the current market environment and is considered essential. Every type of business is directly or indirectly involved in visual marketing practice. Everyday customers are exposed to thousands of commercial on television, in printed media, social media, billboards and magazines. They acquaint even more definite visual information in the form of commodities, bottles, bags at shop and at home. Visual marketing has several important components such as advertising design, the logo of a company, product packaging and web page design. If truly "seeing is believing" and "believing is buying," it is crucial to manage what customers see to increase revenue. This is visible in the current business world. (Pieters & Wedel 2008.)

Depending on the nature of the business, visual marketing can be of different types: some business might only choose to be present online, others may choose to have either in-store presence or both. For instance, in retail business, a company may choose to target its customers through point of purchase stimuli, such as electronic store displays, printed posters, window displays, mannequins and store assortments. Such practices are part of combined coherence transmission, i.e. the ways in which companies create to visibly present themselves in logical ways through visual merchandising. In the current market situation, companies are compelled to attract new customers and retain old customers by promoting customer loyalty and through other means. Acquiring and retaining customers can be a difficult task and would ultimately decide the survival of any company. Failure to do so will lead to the demise of such companies. (Pieters & Wedel 2008.)

For survival, companies deploy several available strategies and marketing tools. The most widely used strategies are those that have direct or indirect impact on customers' mood and emotion. Influencing

customers' emotion through the induced mechanism can lead to a prompt purchase and a better shopping experience. Several studies have found that the use of emotion related techniques is effective (Law, et al. 2012.). The most widely used tools, among others, are window display, lighting, music and mannequins. Cumulatively these tools are part of visual merchandising and are some of the most popular techniques used in retail market (Gudonaviciene & Alijosiene 2015.).

Although both terms look similar, there are crucial differences between visual merchandising and visual marketing. Visual marketing is about communicating messages through images, whether they are logos, signs or videos or pictures. Instead of using text explicitly, the marketer uses objects to communicate the brand image or any other marketing information. This type of marketing is visible anywhere and everywhere, from physical stores, billboards and TV commercials to online. On the other hand, visual merchandising is all about communicating with prospective customers through traditional tools such as window display, entrance or store layouts. It is limited to the physical store location, and can only be seen in store's exterior or interior contents. Visual marketing covers a wide range of marketing practices while visual merchandising is just a part of visual marketing. (ReelMarketer 2013; Hendricks 2017.)

The current available literature about visual merchandising is rather limited and may grow in future since the rate of new studies in this area is increasing day by day. Regardless, many authors have defined visual merchandising in several ways. Each of them have something in common in their definitions. Visual Merchandising, by definition, is a marketing tool used for communicating companies' brands and products to customers with the objective to stimulate consumer behavior that would ultimately lead to the purchase of products and customer loyalty (Gudonaviciene & Alijosiene 2015.). Similarly, Ebester and Garaus (2011) define visual merchandising as an art and science of displaying products and in-store floor in such a way that it would leave an appealing impression on customers and ultimately lead to purchase of products.

Visual merchandising helps in designing an appealing store appearance and creating an unforgettable shopping experience. A positive store appearance will have a positive impact on customers mood and may increase the purchase probability. To realize the best outcome from visual merchandising, several elements of visual merchandising should be in harmony. Overdone or underdone visual merchandising may risk underachieving the desired objectives (Law, et al. 2012.). The effort to attain effective visual merchandising comes from both the designer and all other team members ranging from board members and designers to sales personnel. However, visual merchandising is not only a business practice either. It incorporates the characteristics of both art and marketing disciplines. It is the combination of these

activities that transforms merchandising objectives into sensible elements whereby consumers can analyze the data and media presented and turn them into decision variables (Zhu 2009.).

2.1 Importance of Visual Merchandising

Visual merchandising is used as a tool in stores with several objectives. The objectives could be either to attract customers, to increase sales or to communicate with customers about the brand or a newly launched product. Below there are a few highly accepted benefits of visual merchandising in retail stores.

Increases Traffic: One of the most important functions of visual merchandising is to increase traffic of stores. Effective merchandising attracts visitors' attention and encourages them to enter the store. Similarly, a good-looking interior of a store influences a customer's decision-making process. Well designed and effectively placed colored sales signs, as well as neat and tidy looking and well-organized store interiors are some factors that attract customers attention and thus increase store traffic. (Nolan 2018; Special to the Nation 2017.)

Increases Sales: Efficient merchandising has a real impact on the sales of stores. Effective merchandising does not only attract visitors but provides memorable shopping experience to customers. Packaging, proper product display, pricing, promotional marketing and sales signs dramatically increase the sales and enhance customers' buying experience. This also promotes customer loyalty and customers are more likely to visit again if they find well organized and properly visualized store as this will increase their satisfaction and buying experience, ultimately increasing the sales. (Nolan 2018; Special to the Nation 2017.)

Builds Loyalty: As mentioned earlier, visual merchandising is used to communicate with prospective customers about the brand, product offering, and the overall image of a company. Customers are more likely to become loyal if they believe the product offerings are of high quality and presented in a customer-friendly and easy-to-access setting. Products displayed in an appealing way entice shoppers to visit often, building long-term loyal customer relationships. (Nolan 2018; Special to the Nation 2017.)

Better Space Management: The efficient use of space helps to attain a pleasant looking store and better display of products within the store. Customers hate to spend time on locating products they seek for

and this will ultimately have a negative impact on their overall shopping experience. Efficient merchandising involves the proper arrangement of aisles, display fixtures, shelves and the entire layout of the retail space. Efficient space management helps in accommodating more customers in the store and assist them in locating products easily. If the available space is proficiently managed, an expansion or relocation to new premises may not be needed. (Nolan, 2018; Special to the Nation, 2017.)

2.2 Elements of Visual Merchandising

Visual merchandising deals with everything that is presented to customers, with objectives to convey messages before or after they enter a store. Elements of visual merchandising can be categorized into two categories: exterior and interior. (Zhu 2009.)

Exterior elements mainly deal with those elements that are visible from outside of the store or are placed outside of the store. These elements act as primary stimuli to attract customers attention and ultimately luring them into the store. Some examples of these are the store window, entrance, store location and signs. Similarly, those elements that are present inside of the store are categorized as interior elements. The most common examples are product assortment, store layout, lightning, interior decoration and store personnel. Interior elements directly or indirectly affect the mood of customers and result in impulse buying. (Zhu 2009; Taskıran 2012.)

The below figure effectively summarizes the elements of visual merchandising.

Elements of Visual Merchandising in Fashion Retailing Store

Exterior
1. Store window : window display
2. Entrance : the location of the entrance; the size of the entrance; manual/automatic
3. Store location: store environment (locate independently/shopping mall)
4. Store sign: the design of the logo; the way the logo is presented

Interior
1. Interior decoration: props, mannequins, flowers etc.
2. Point of sale
3. Store layout: division of different department, division of brand section, location of service area
4. Fixture: apparel fixture, display props
5. Lighting system: type of light, colour of light
6. Interior sign: sign of different department and service area, the position where the sign is placed etc.
7. Sales personnel: friendliness, appearance

FIGURE 1. Elements of Visual Merchandising in retail store. *(Zhu 2009)*

The above figure clearly differentiates between exterior and interior elements of visual merchandising. These elements are discussed in detail below.

2.2.1 Store Exterior

The outer appearance of store is vital. The first impression about the store is a deal breaker when visitors make their decision on whether to enter the store or not. It is essential that the store exterior answers the following questions: How do customers locate the business? What about the safety and accessibility of the store? Is the message clear and conciseness? What kind of products are offered and how does it affect store image? The store exterior includes elements of the stores such are marquees, entrance, window display. They may also include of mannequins displaying accessories, garments, and other items sold by the store. An efficient exterior display is crucial as there may be several challenging

factors. For instance, the store might have limited space to design the exterior display, thus it need to be efficient to achieve the most out of the available space. With a limited amount of space, exterior elements must be carefully designed to ensure a positive response among the store's target customer group. (Melvinroos 2016; Ayodya & Sahithi 2016; Taskıran 2012.)

A few examples of an effective store exterior are shown below:

PICTURE 1. An example of Marquees (novalineabagni 2016)

The above picture shows an image that is placed over the entrance of a theater. The sign clearly states the name of the theater and communicates about what can be expected inside. The passer-by can easily conceive the message and understand the message in a desired manner. Also, the lighting and decoration can easily succeed in gaining attention of these passers-by.

PICTURE 2. An example of Store Entrance (Fotosearch 2016)

The above picture is an example of store entrance of a book store. It has the name (brand) of the company and the products they offer. The above entrance is very effective as it can create strong first impression of customers. Similarly, by looking at the entrance the customers would feel welcomed, and thus this would encourage them to enter the store and explore.

PICTURE 3. An example of Store Window Display (enderlecenter 2016)

Window displays are considered the most important element of visual merchandising. It has a significant impact on a customer's attention. The above picture is an example of a great window display. It provides information to prospective customers about the product offering and about the image of the store. It tries to communicate whether the store offers male or female clothing and what kind of clothing can be found inside. This also differentiate the target group of customers. The Use of elements and lighting are well balanced and it gives pleasant sense to passers-by.

2.2.2   Store Interior

The design of a store has a significant impact on the overall perception and branding, as does the store interior atmosphere that it provides to the customers. It deals with the design of the interior of the store. The main elements of interior atmosphere are often mannequins displaying garments, accessories and other products sold by the store. Interior displays may also consist of signs, cardboard cutouts and similar elements. Some other elements are floor and wall covering, lightning, colors and fixture and sales persons. It is crucial to create a comfortable environment by finding a balance between all these elements. A relaxing and comfortable store environment may have a positive impact on customers and make them spend more time in the store and buy products. Any potential confusion that could result from improper design or use of elements should be avoided. (Melvinroos 2016; Ayodya & Sahithi 2016; Taskıran 2012.)

Below are a few examples of some efficient use of interior elements.

PICTURE 4. An example of store interior (download3dhouse 2015)

The above picture presents a great example of a clean and efficiently designed store interior. Since most of the time customers are inside the store, it is important to create a pleasant shopping atmosphere. The above store interior effectively focuses on the essential elements of visual merchandising and creates a balance among them. It is a great example of a balance between all store interior elements of visual merchandising; great lighting, store layout and visual presentation.

PICTURE 5. An example of Mannequins used in a store (Alamy 2017)

Mannequins are frequently used by retailers to highlight the unique collection of the store, display the latest trends, attract customers and increase sales. The above image displays a clever use of mannequins. The mannequins are placed right in the center of the store and display all the latest trends in women's fashion. They are different from each other and carry different theme. This will help customers to select the one they are most attracted to.

PICTURE 6. An example of lighting used in a store (Blitzer 2016)

Lighting helps in defining the overall store image, highlights products and helps stores make products visible. It also encourages customers to purchase the products. In addition, it also provides signage for store navigation and provides a great shopping experience. In the above image, the use of lighting is extraordinary. Products in the shelf are well highlighted, and similar products on the table are also clearly visible. The overall impression of the store atmosphere is astonishing.

PICTURE 7. An example of the use of colors in as store (Enterpreneur 2012)

Shoppers usually make their buying decision based on the store's color. Choosing one product over another can highly be influenced by color (Enterpreneur 2012). The above picture shows a balance between colors. A blue themed color has been used. It provides a cozy atmosphere look and encourages shoppers to spend more time in the store (Soomro, et al. 2017.).

PICTURE 8. An example of in-store signs (Blair 2013)

The above image shows informational signage used inside the store. The objective is to provide customers with sufficient information to enhance their shopping experience. These signs are self-explanatory. It is important that these types of signs are concise and easy to read. A simple and well design sign will be effective in communicating with customers.

3   WINDOW DISPLAY

The quality of outer presentation of a store could be a deal breaker especially when trying to gain the attention of a new customer. The elements of exterior presentation quietly convey message to potential customers about the offering of the store. Well-planned exterior visual merchandising can easily attract the attention, generate interest and invite the customer into the store (Bastow-Shoop, et al. 1991.). Window displays are generally categorized into four categories: series window display, related window display, single-category window display and campaign window display. Some literature may have used terms such as open or closed box window displays, but the design principle overlaps.

It is crucial to bear a few key questions in mind when planning the exterior visual merchandising. For instance, the visual merchandiser should be able to answer following questions: How do customers locate the business? Are the sidewalks clean, safe and accessible? Are the exterior signs clean and readable? Does the store front need cleaning, painting or touchup? Are the outside entrances clean and accessible? Are the windows clean, bright and inviting? Are the window display preparation materials such as tape, pins and packaging materials removed? Are the window displays frequently changed? Do the window displays carry a theme? (Bastow-Shoop, et al. 1991.)

As mentioned above, there are several elements of visual merchandising, and among them window display is the most popular one. Window display deals with the exterior presentation of the store. It does not only deal with the presentation of goods that are sold in the store but also conveys a strong message about the company's strategy and image. Window display is considered as art in the current marketing context. It provides an amazing opportunity for companies to communicate with customers and to distinguish oneself from competitors. It helps in communicating a definite brand image. It also helps in creating a brand image by integrating it into the brand strategy. Window display is an important marketing tool that has been ignored by academics until lately, but has a significant importance in development of a business. (Bratucu & Opris 2013.)

3.1   Functions of Window Display

Retailers work on the assumption that customers decide from distance before entering the store whether the store is similar to their taste or not, based solely on the window display, the exterior appearance and the traffic visiting the store. It is a common belief that customers tend to attract to stores that are similar

to their taste, attributes and life style. The role of window display and other exterior elements of visual merchandising is crucial in attracting customers' attention. Bigger windows with sufficient products and dummies are a visual sign to the potential consumers that the store is a large one whereas comparatively small windows with a two or fewer mannequins with few unpriced products implies an expensive store. (Lea-Greenwood 2012.)

The function of window display is to communicate with potential customers by introducing and promoting products. Window display grabs the attention of a passer-by and attracts them into the store to generate sales. Moreover, the function of window display is to establish, promote and enhance the store's visual image as well as the company's image. Sometimes it is also used for amusing customers and enhancing their buying experience. (Zhu 2009.)

To summarize, the most important functions of the window displays are to attract attention, to create interest, to invite customers in the store and finally to generate sales (Bratucu & Opris 2013).

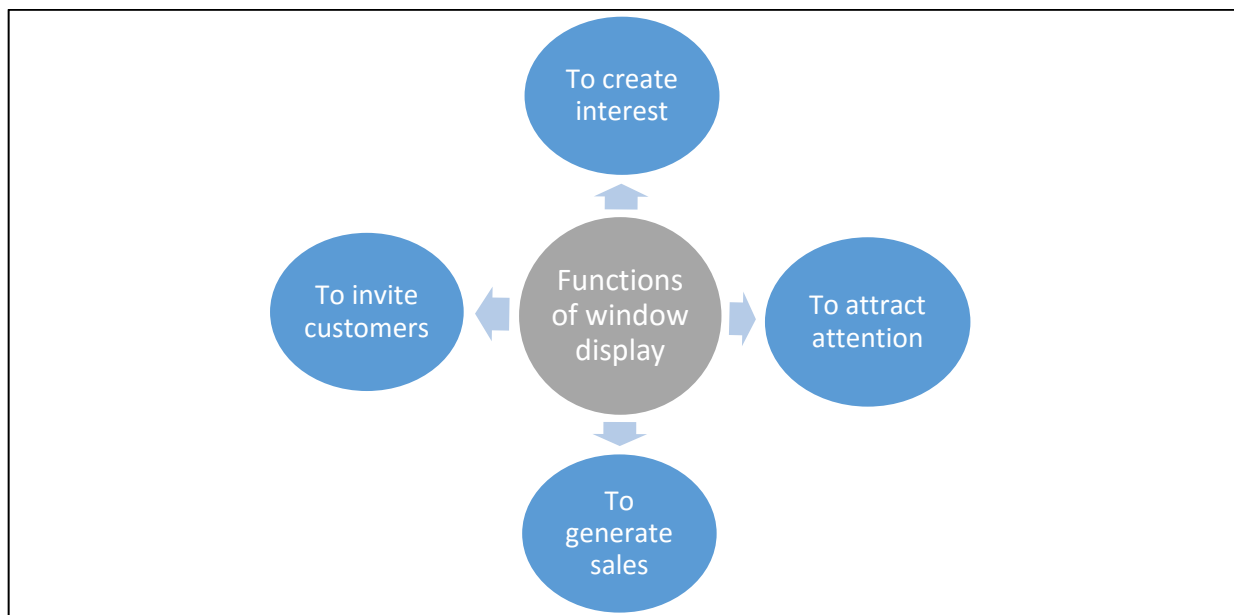This can be further illustrated in the figure below.

FIGURE 2. Functions of Window Display (Bratucu & Opris 2013)

3.2 Effective design of window display

A special consideration should be paid when designing window display and selecting the elements of window display. The over use of certain elements may have negative desired outcome. According to a

study conducted by Law, et al. (2012), any elements of visual display representing highly sensitive issues, such as feminism or sexuality, may trigger negative response from consumers, hence directly impacting sales and building a negative company or store image.

A special emphasis should be placed on a store's window displays as they are the information link to the perspective customers. Window displays can be regarded as important as advertising. It is believed that a good window display results in one in every four sales of a store. Therefore, the window display should help in attracting attention, creating interest and inviting potential customers into the store and converting visitors' interest into sales. The window display has less than 11 second to achieve this, as that is the average amount of time customers will spend looking at a window display. Thus, an effective window display is a must. It is advised not to crowd the window display with several products as this will confuse customers and customers will find it difficult to determine the message and what items are being promoted. Similarly, a window display that is left unchanged for too long will lose the interest of potential customers and thus it is often recommended to keep redecorating and recreating the window display. New displays indicate that novelty products and new merchandises are available. Properly designed window displays can help sell specific products or ideas that, consequently, promotes the image of a store or company. (Bastow-Shoop et al., 1991.)

Special consideration should also be given to lighting as this will enhance the appearance of window displays, especially in the evening or at night. Closed-back windows need a high level of general lighting. Massed window displays are generally illuminated with overhead fluorescents which are accompanied by closely spaced clear incandescent lamps. It is advised to use miniature portable spotlights to accent small display areas, price cards and specific items in a massed display. Similarly, use of compact footlights help relieve shadows near the bottom of vertical displays. (Bastow-Shoop, et al. 1991.)

A window display carrying a theme is more effective and successful, regardless of whether the featured products are fashion-oriented, institutional or promotional by nature. Window displays should be in harmony with the entire surroundings. When planning a window display, one should consider the building facade, street, people and their perceptions, color harmony, lighting and viewing angle. (Bastow-Shoop, et al. 1991.)

The following figure suggests the key points that should be considered when creating an effective window display.

Step	Details
1. Tell a story	• Create a theme. • Think of creative ways to showcase your products.
2. Create a Focal Point	• Determine where customers will be looking. • Determine focal point. • Arrangement of products.
3. Be Bold	• Create eye catching color, shapes, and props
4. Update your Displays	• Change a couple items every few weeks • Update your display 1-2 months. • Changing window display often will draw people's attention.
5. Use Lightings	• Highlight focal points with lighting. • LED lights are good for the environment. • Don't hang lights above the product. This will cause a shadow effect.
6. Keep the Clutter away	• Don't cramp a large amount of products. • Use large quantities of a single product.
7. Balance	• Balanced displays evoke feelings of happiness, excitement and enjoyment. • Unbalanced displays evoke anxiety or instability.
8. Find a look	• Look at your final display at every angle. • Revisit your focal point • Make sure your signage is visible.

FIGURE 3. Creating an effective window display (Robles 2017)

4   RETAIL INDUSTRY

With the rise of the internet, the buying behavior of consumers has globally shifted drastically from in-store purchases to online purchases as in 2017 about 8.2% of the total retail sales was done online (Saleh 2017). Moreover, in coming years online sales are expected to grow (Statista 2018). Many online retailers such as Amazon, Ebay, Alibaba, Zalando have proliferated in the past decades and are growing at a pace which could never have been imagined before (Ecommercenews 2017). Increase in online sales and decrease in in-store sales, due to change in consumer buying behavior have forced many old retail players to shift their focus, in addition to physical retail stores, towards online selling (Sollinger 2014). Although there has been certain adaptation among these players, not all physical retail stores have been able to shift from brick and mortar to online platform. Because of that several US stores have already closed in the past years and many will close in near future and thousands of stores are planned to be closed in 2018 already (Business Insider 2017; The Economist 2017.). In Finland, the case is similar as chains such as Anttila and Seppälä have gone bankrupt and the overall outlook of Finnish retail market does not seem promising (YLE 2016a; YLE 2016b; YLE 2017).

In the recent years, many retail stores have faced an enormous number of challenges, particularly in developed countries in Europe, Asia, and America. The biggest challenge is the decline in visitors (The Economist 2017.). However, this does not mean that consumers would buy less but they buy differently (Farber 2016). In fact, the buying behavior has drastically changed. Consumers are better served online than in stores. Online retailers' websites know more about buyers than shop attendants in stores and use this information to better customize and suggest products to prospective buyers (Safdar 2012.). Similarly, other add on services such as free return policy has added additional convenience to buyers (Lazar 2016; The Economist 2017). Time saving and anytime accessibility are other factors to change consumer buying behavior (The Economist 2017). Online compete hard with physical stores, and of course online stores are winning (Financial Times 2015).

The following figure shows the total number of stores closed in the past decades in US. Unfortunately, no global data or European data is available currently.

FIGURE 4. Closure of stores in US in past (Bloomberg 2017)

The closure rate has increased significantly since couple of years. Compared to 2016, closures in 2017 have skyrocketed and the trend is supposed to continue in future. A research published by Credit Suisse (TIME 2017) estimated the one in four stores in the US will be closed by 2022.

On contrast, retail ecommerce business will see healthy growth in the coming years. The estimated growth of retail business can be seen in the figure below.
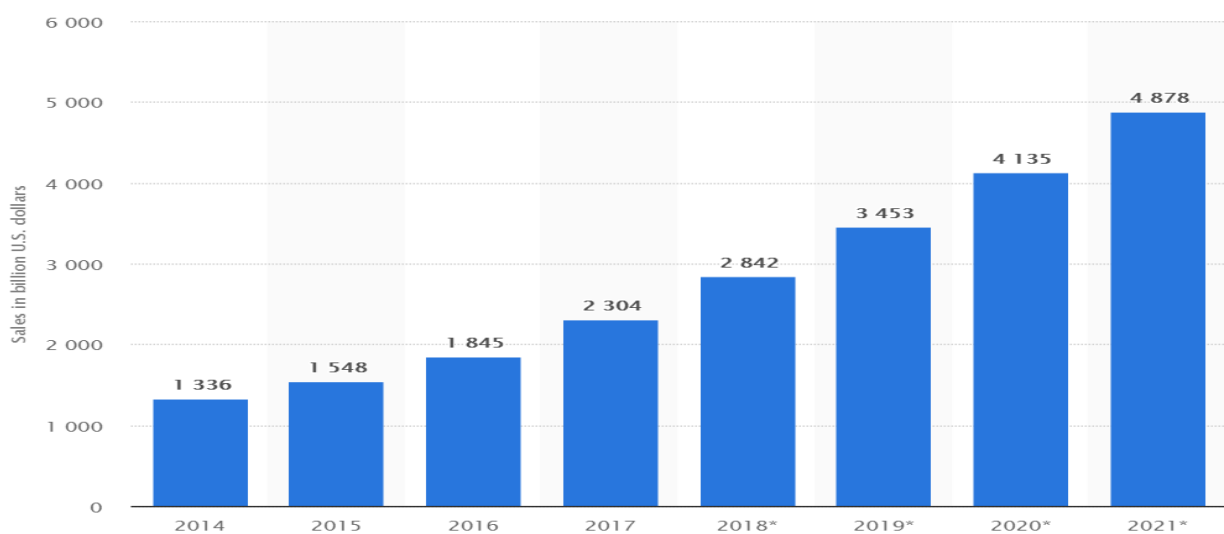

FIGURE 5. Ecommerce sales forecast global (2014 to 2021) (Statista 2018)

In the figure above, the growth trend in online retail sales is clearly visible. Total of USD 2,3 trillion worth of shopping was done online, which is approximately 500 billion higher than 2016. The trend is expected to continue growing in 2018 until 2021 with an average of USD 500 billion per year. (Statista 2018.)

4.1 Current Challenges in Retail Industry

Retail companies around the globe are struggling as the rate of store closings has reached its peak (Thompson 2017). These challenges can be associated to several internal and external factors, from socio-economical to the company's ability to innovate (Forbes 2017). However, the focus of this thesis is mainly on internal factors instead of external factors as company can do very little about external factors.

Several retail companies, both in the US and Europe, have reported a decline in sales due to decline in stores traffic (Independent 2018; Forbes 2016; The Economist 2017). Decline in traffic is expected to continue in the future. This has caused the profit margin to shrink as operating costs have mostly remained the same (Forbes 2017). Some stores have mentioned about the failure to create desired brand awareness and the brand image among customers has a direct impact on stores' performance (Forbes 2016). This has resulted in the closure of stores, reduction of workforce and headcounts. Many people have lost jobs and the trend continues (LGC 2017).

Experts (LGC 2017) suggest three key factors for the decline in retail industry: the rise of e-commerce, shift in customer spending and the oversupply of shopping centers. These are further explained in the chapters below.

4.1.1 Rise of E-commerce

Ecommerce is quickly becoming the most preferred choice of many people when it comes to shopping. It has become a major threat for traditional stores for their existence. Online retail has seen an annual growth of over 15% globally since the beginning of last decade (LGC 2017.). The market share of ecommerce will continue to grow and is expected to reach $4.8 trillion by 2021 (Statista 2018). For instance, the sales of Amazon in the US have grown five-fold to $80 billion from $16 billion. Similarly, about three-quarters of the US households are Amazon prime members (USA Today 2017.). It is expected that ecommerce will make up 17% of all US retail sales by 2022 (Businessinsider 2017).

In other words, shoppers purchase more online purchase than they used to do. The overall online shopping experience have become much better due to the availability of advance technologies such as mobile wallets and apps. Shoppers can buy from the tip of their finger and at a competitive price (Sagepub 2017.). On the other hand, large physical retailers are hit by the lower in-store spending resulting in a decline in overall earning of the stores (Forbes 2011).

4.1.2 Shift in Consumer Spending

The spending of consumers has reached a peak in the past months, but the spending in traditional department stores has declined (Sagepub 2017). Few people spend on clothes and have shifted their purchase to restaurants, airlines, and hotels. This has resulted in decline of mall visits by up to 50% (LGC 2017). Many analysts believe that consumers have shifted their purchasing habits from purchasing things to purchasing experiences, and this is bad news for retail businesses (Deloitte 2017). The recent growth in restaurant business has reached the all-time high (Marketwatch 2017; LGC 2017).

This change in behavior has formed a new threat for brick-and-mortar retailers, and in recent years, the store closures, the number of bankruptcies, and demand for shorter lease term have become more common. Despite of a strong job growth and stronger economy, retailers complain about weaker sales than expected. Several leading measures have suggested increase or growth in consumer expenditure, however this expenditure are not groceries, cars and clothing. (Deloitte 2017.)

4.1.3 Oversupply of shopping centers

This is more relevant in the US than other parts of the world. The US has more retail square footage per capita than any other country in the world having 40% more than Canada and five times more than the UK (LGC 2017; Sagepub 2017). In the USA there is too much retail space and too many lousy malls (The Guardian 2017). In other words, the supply of malls or retail space have exceeded the demand for it (LGC 2017). Malls are facing extreme difficulty to survive against competition from ecommerce. Due to extreme supply, the price has deflated (Sagepub 2017). This has resulted in a decline in the number of visitors and in closures of malls and retail stores.

Physical retail business is currently facing major challenges. These challenges could be due to the change in consumer buying behavior, rise of ecommerce and decline in store traffic. Although it is not

possible for a small store to address all these issues, as they may not have sufficient capital to go online or run an ecommerce platform, those related to buying behavior and retail traffic can be addressed to some extent. The pain of store traffic decline is inevitable, but the level of damage can still be managed. This can be achieved by providing remarkable customer experience, increasing customer base and loyalty and maintaining a certain level of profitability (Forbes 2017.). In addition, the company can also focus on rightsizing the store counts, reducing operating costs, and creating strong brand awareness.

4.2   Effectiveness of Visual Merchandising in solving store challenges

Due to the decline in store traffics, many stores have faced challenges to operate smoothly (The Economist 2017). A little change in traffic can drastically impact the sales of stores in any given period; higher traffic brings a significant opportunity for increased sales and vice-versa. To attract traffic, stores apply different types of marketing and promotion strategies: visual marketing, product promotion, valued customer benefits, discounts, to name but a few (Inreality 2016.).

Most often stores also use in-store and exterior marketing techniques to attract customers from streets outside. These marketing techniques are crucial in places where street traffics is massive. One of the widely used techniques is visual merchandising. Visual merchandising can be seen everywhere, from store entrance to inside of the store. It deals with the display of products and store layout and design with the objectives to communicate message to prospective buyers and convince them into buying the products. In other words, visual merchandising is done to attract customers into stores and make them buy. Visual merchandising done in an efficient way helps in proper communication of messages to customers, thus resulting in increase in traffic and consequently increased sales. (Law, et al. 2012; The Balance 2018; Australian Retailers Association 2017.)

In the past years, several studies have been conducted to research the effectiveness of visual merchandising in solving store problems, mainly on the relationship between visual merchandising tools and customer attention or visual merchandising tools and impulse purchase. Interestingly, many of these studies have found clear signs of in visual merchandising being an effective tool. (Hefer & Cant 2013.)

In one study conducted by Hefer and Cant (2013, 1217-1224), the finding suggested that visual merchandising has a direct of impact on customer purchasing behavior. Moreover, visual

merchandising displays guided customers in the direction of the products they were seeking and it had impact on their product choice and purchases. The finding also pointed out that visual merchandising can be used as a communication tool and desired messages can be delivered effectively to customers.

Effective and up-to date use of visual merchandising can have long lasting impact on consumers about the company's brand and product offering. According to study conducted by Kerfoot (2013, 143 - 152), visual merchandising has been used as an effective tool for creating brand awareness. However, in certain cases the outcome may not be at par. The study recommends visual merchandising users to focus more on understanding their audience and simultaneously customize their visual merchandising tools. The study admits that the impact of visual merchandising on brand awareness is not understood enough and would certainly benefit stores in creating long lasting brand awareness, and thus needs detailed exploration.

Similarly, a study conducted by Soomro et al. (2017) looked into effectiveness of four different elements of visual merchandising including window display. The authors proposed four hypotheses by stating that each element of each hypothesis has an impact on customers' attention. The study was conducted on more than 280 respondents and closed ended questions were asked through a survey. The hypothesis related to window display was statistically significant and window displays proved to be effective for getting customer's attention. Surprisingly, the same study also found that an effective in-store visual merchandising led to impulse purchase from customers, although it is unclear whether those customers were attracted into the store because of the window display or some any other exterior visual merchandising elements.

In another study conducted by Khan et al. (2016) investigated the relationship between visual merchandising and retail stores sales. The study stated and tested five different hypotheses, and each hypothesis examined direct relationship between impulse sales and different elements of visual merchandising. The study was conducted on more than 200 people. The results showed that there was a significant relationship between those elements and customers' buying behavior. The study believed that when customers are exposed to store visual stimuli, the probability of sales increases dramatically. The study showed that the store environment creates buying desire in the mind of a consumer and strongly suggests retailers to use these concepts to boost their sales. Promotional and discount offering helps in enhancing customers' buying experience.

5   THE SHOE STOP OY AB

The Shoe Stop Oy Ab, the commissioner of this thesis, is a local store located in the heart of Pietarsaari. The Shoe Stop oy ab is a family owned retail shoe store and was established in 1993. The company's business area includes import and export of footwear. The store offers a wide variety of both men and women's shoes from popular brands. All sales are made within the store located in Pietarsaari, and currently the store does not have any branches. Most of their customers are local and people from the nearby towns. Occasionally, tourists also visit the store and buy their products. The store does not employ any marketing professional, but all the marketing promotion is done by the owners themselves. This makes this store even more interesting for a case study. The store has a window display that is used for attracting passers-by. The store manager tries to redecorate the window on a regular basis and displays new and discount products on the window display.

An image of window display of the store is shown below.

PICTURE 9. Window Display of Shoe Stop Oy

6 DATA AND METHODS

This section mainly discusses the data collection process and the methods used in this study to collect data. The nature of the thesis mainly determined the source and the methods to be used for the data collection. Usually, researchers use either qualitative or quantitative or both methods for data collection. In this case, the quantitative research method was chosen. The identification of data source was not difficult as the primary sources for the information were the store itself and the customers of the store. It was decided to collect data from three different sources. The first source was the case company itself, second source was the customers of the case company, and the third source was the general customers who may or may not be customers of the case company. This chapter also discusses the selected method, as well as its usefulness for this thesis in detail. At the end, the reliability and validity of data collected are discussed.

6.1 Research methods

The selection of research method has a direct impact on the outcome of a research. Moreover, the very nature of the research being conducted have much to say about the appropriate research method. Thus, the researcher must consider the appropriateness of the selected method in answering the questions that are being investigated. The selection of the research methods and the way they are implemented will highly be influenced by the research objectives as well as by other practical considerations, such as the availability and the nature of the source and the competence of the researcher itself. Research may include either empirical data or conceptual data. Empirical research is often used to describe situations backed by findings and data and to test certain hypotheses. On the other hand, conceptual research mainly focuses on developing and arranging conceptual theories and understandings. Normally, a single method of research may not be suitable for meeting the objectives of a research due to several limiting factors, such as the complexity of research and involved sources. Mixed method refers to research in which researcher uses more than one method to collect and analyze data, integrates finding, and draws conclusion. (EIPPEE 2016; University of North London 2017.)

Qualitative research is characterized by its aims, which relate to understanding some aspect of social life, and its methods which generate words, rather than numbers, as data for analysis. Qualitative methods generally aim to understand the experiences and attitudes of a certain group or the community or group of workers. The primary objectives of this method are to understand a certain phenomenon

and focus mainly on answering questions about the phenomenon such as 'what', 'why' or 'how', instead of answering 'how much' and 'how many'. This method is best suited to understand the perception of a certain group towards an issue and enable the researcher to better understand social and cultural oriented phenomena. Recently the use of this method and analysis has been clearly visible in every field and area. The primary data sources are through observation and respondent observation, interviews, documents and the researcher's impression and perception. Qualitative research is more open and responsive to its subject. (Pattton & Cochran 2007.)

On the other hand, quantitative research methods mainly focus on quantifiable measurement and the numerical analysis of data that are collected through surveys, polls, questionnaires or by manipulating already available data using computational techniques. This method focuses on collecting numerical data and analyzing them to explain certain phenomena or simplifying those across a group of people. Quantitative method is limited to those researches in which the collected data are quantifiable or numerical. This method is best suited for data collection from a large group or samples. The initial stage of quantitative method is to define a hypothesis and collect data based on the hypothesis. Later, these data are analyzed to verify whether the hypothesis is supported or rejected. Surveys and observations are widely used with statistical association. (Best & Kahn 2006.)

6.2   Data Collection

Data collection is an essential process and the selection of data collection methods has a direct impact on the data reliability and validity as well as on the outcome of the research. In this thesis the key sources and only relevant sources were selected. Based on the selected source and objectives, the relevant data collection methods are discussed below.

6.2.1   Questionnaire

A questionnaire is considered as an important data collection method. Generally, a questionnaire consists of a list of questions of a specific study that respondents are supposed to answer. The questionnaire can be of different types, such as structured and unstructured, open-ended or close ended, and entirely depends on the researcher's choice of use. Regardless of the questionnaire type, it is essential to keep the questions clear and concise. This is crucial as respondents need to understand the question clearly before answering. A failure to do so may result in undesirable or untrue responses, thus leading to completely different outcomes. (Creswell 2012, 145 – 178.)

The questionnaire answering experience should be made fun and interactive. This helps in retaining the attention of respondents. The biggest advantage of using this method is that it provides anonymity between the researcher and the respondents and the possibility of receiving accurate information is significantly higher. In addition, it can be deployed among masses, and generally the cost is inexpensive. Similarly, it can save a significant amount time and resources and still reach the desired group. (Creswell 2012, 145 – 178.)

6.2.2   Interview

In qualitative research, the interview is the most popular data collection methods among all. The primary objective of an interview is to collect information by facilitating a two-way conversation between the investigator and the informant. An interview is extremely subjective and can be tricky at a time, since it does not only include a question and answer session, but also the facial expression and body language of the interviewee, surroundings, and interview setting. Hence, it is advisable to pay sufficient attention to these details when conducting an interview. An interview can be down either face-to-face or it can be conducted over a phone call. Usually, the interviewer uses either closed-ended or open-ended interview questions. However, it is recommended to use open-ended questions as this will allow the researcher to investigate in detail. (Krishnaswami & Krisnaprasad 2010, 84 – 159; Creswell, 2012.)

Interviews are of different types such as structured, semi structure or unstructured. Semi-structured interviews are predominantly suitable for case study. Researchers use predetermined but flexibly worded questions under this approach. Usually the answers received are tentative answers. In addition to asking prearranged questions, researchers using semi-structured interviews have the opportunity to ask follow-up questions designed to investigate into deeper area of interest to interviewer. Doing so encourages participants to express themselves openly and freely and provides a clear picture of the situation from their own perspectives, not solely from the perspective of the researcher. (Hancock & Algozzine 2006.)

An interview can support the already collected statistical information. It facilitates the researcher to dive deep into the behavioral context of the data provided by the respondents. It helps the researcher to seek explanation and to ask those questions that the respondent did not want to answer through a questionnaire or any other method of data collection. (Krishnaswami & Krisnaprasad 2010.)

6.3   Research Design

An excellent research design is crucial for obtaining a trustworthy and reliable outcome. This is mainly about decision regarding questions such as 'what', 'where', 'when', 'how', about a research study. Research design is the conceptual framework that guides the research being conducted. It contains everything about data collection, measurement and analysis. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of the data. The research design answers certain questions about the research such as the nature of the study, the objective of the study, research procedures, data sources selection and collection methods, sample design, data analysis method and the reporting structure. Research design are of four types: the sampling design, the observational design, the statistical design and the operational design. Research design is a plan that specifies the sources and the types of information relevant to the research problem. It is a strategy specifying which approach will be used for gathering and analyzing the data. It also includes the time and cost. Therefore, research design must contain a clear statement of the research problem, the process and methods for data collection the sample size or the source of data collection, and the method that is used for analyzing the data. (Kothari 2004.)

AT the beginning of this thesis, the research objectives as well as the need for writing this paper were defined. In addition, the theoretical framework provides all the relevant theories that act as backbone of this paper and provide information to the readers for understanding this thesis. In this section, the data collection plan and the method used for data collection are discussed. In addition, the data analysis is also discussed.

This study was a case study and focused particularly on a marketing activity of a store. Thus, the selection of data sources was not difficult. It was decided that data would be collected from several relevant sources, and therefore three crucial sources that would give relevant data for analysis and discussions were identified. The store owner, customers of the store, and sample from public as sources for data collection were selected. The choice of the research method was fully dictated by the nature of this research and the data sources. Quantitative research method was chosen. An interview was conducted with the store manager, and a survey questionnaire was distributed customers of stores and normal public group.

The data collected have been analyzed using appropriate method and comparisons among findings have been made. Finally, the findings from these studies are reported in their respective sections.

6.4   Validity and Reliability

Maintaining a significant level of diligence, credibility and reliability of data collected should be the priority of any researcher. Although attaining perfect reliability would be impossible, preventing total discrepancies is possible. There are many ways to do it and the most popular method is triangulation. Triangulation is a method that involves using multiple data sources for increasing the validity of findings by comparing them with the findings from varied sources. It tests the consistency of the findings and helps to mitigate the risk of poor research. There are four types of triangulation: method triangulation, investigator triangulation, theory triangulation, and data source triangulation. Each of these methods has its own value and use, and depends entirely on the researchers' choice. (Pattton & Cochran 2007.)

Although validation can be maintained to a certain level, there remains a possibility of discrepancies. For a qualitative research, there could be several factors in play, such as complexity of human experience – it would difficult to control human behavior and perception. Similarly, everyone may not respond to a question or a situation in the same way. A respondent may not have answered truthfully, and this could not be verified easily. Quantitative research often produces banal and trivial findings of little consequence due to the restriction on and the controlling of variables. It is not completely objective because the researcher is subjectively involved in the very choice of a problem as worthy of investigation and in the interpretation of the results. (Hughes 2014.)

Above mentioned issues were kept in mind when designing the research process. All the theoretical sources were carefully selected and presented in a way that a reader with a limited understanding about research will have gained enough information and be able to comprehend the findings in the best way possible. The identification and selection of data sources was a little challenging for the author, but still those selected data sources ensured a reasonably high level of credibility and reliability. The store owner, surveyed store's customers, and additionally surveyed additional group of people who may or may not be customer of the stores were surveyed. This has developed strong level of trustworthiness for the sources. The idea behind such design was to prevent any biasness among the group surveyed and get a clear picture of their perception through comparison – a triangulation method.

It would be overestimating to claim this research paper to be entirely bias-free or truly credible. As mentioned above, human nature and perception does come into play and may cause biasness. The honesty and truthfulness of respondents when answering the survey question may have significant impact on the outcome of the report. Furthermore, the level of respondent's understanding about the topic and questions also has an impact on the outcome.

To conclude, the validity and reliability of data sources and theoretical framework can be guaranteed to the highest possible level, but the respondents answers may have discrepancies and variability due to demographic differences, perception differences and their understanding about the topic.

7   FINDINGS AND ANALYSIS

In this section, the collected data is analyzed and the finding from each source are discussed. Each source is analyzed and discussed separately. The data was collected from three sources: interview, questionnaire, and observation.

7.1   Interview

An interview with the owner of the store was conducted. The interview lasted for 30 minutes and covered varied topics. The interview was divided into two parts: the first part mainly covered the company's ownership structure, product offerings, customers segments, and sales channels. This information has already been provided in previous section of this thesis.

The second part of the interview mainly focused on marketing aspects of the store, with the primary focus on visual merchandising and window display. Furthermore, the familiarity of store owner towards key marketing topics and their usefulness was studied. In addition, the objective was to understand the outcome and impact of the current marketing efforts done by the store. The author used open-ended questions for the interview, thus leaving a possibility for following up on interesting areas by asking additional questions. The finding from the entire interview were good and full of information.

It was interesting to learn that the store does not employ any marketing professionals and the store owner does the marketing by himself. Most of the promotions are done through the local newspaper and through store's Facebook page that the store owns and manages. The store also uses in-store marketing materials such as stand-signs outside the entrance, window display, and printed materials inside the store. Usually, the store tries to promote and communicate with their existing and prospective customers about new products, weekend and holidays promotions or discounted products through these channels. Occasionally they also use printed materials provided by shoes companies for promotion purpose.

During the latter part of the interview, the author tried to understand owner's perception towards certain elements of visual merchandising. The owner understands the importance of certain key elements of visual merchandising and acknowledges them too be most crucial tools available to stores of this type. Although not all elements were relevant for this store, a few of them such as window display, store layout, promotional signage and lighting system are rigorously used by the owner. The owner believes

that using music can be distracting and many customers do not like music in the store. Instead of using artificial fragrance, the owner prefers to keep the fragrances coming out of the leathers. Occasionally, during Christmas and other festive seasons or in summer, the store also uses theme related window display and marketing materials within the store.

The owner agrees that visual merchandising elements help the store to attract customers' attention as well as enhance the overall product presentation; a clean and fresh-looking makes customers stay longer and improves the overall customers buying experience. The impact can also be seen in the store traffic and the sales of certain products that are displayed on the window display. However, occasionally it could be difficult for the owner to pinpoint sales growth to specific products. In addition, the owner had also noticed that the product presentation and visual merchandising have enhanced the store's image among its customers.

At the end of the interview, the real impact of overall marketing effort from owner's perspective were studied. The owner had mixed reaction towards the achievement of in-store marketing. The objectives are met on some occasions, and on another they were met. The objective regarding communication with customers had been achieved, and no events of miscommunication had been encountered in the past, which implies that the store is quite efficient with the use of visual merchandising. Customers do visit the store inquiring about the products that are displayed on the window display, but sales conversion mostly rely on the owner's ability to persuade customers to buy. Furthermore, customers perception towards the products is one of the deciding factors on whether customer will buy the product or not. When asked about the role of visual merchandising in building the store's image, the owner admitted that visual merchandising does play a role in building the store image and providing great buying experience to the customers.

The owner maintains certain key performance indicators related to sales, but does not have any specific key performance indicators for the sales and marketing effort. This creates limitation in understanding whether visual merchandising has helped in sales growth or not. Instead, the owner compares the past performances with current performances on an annual basis. The owner's own findings suggest that sales are highly affected by seasonality, and traffic to the store is also affected by seasonality.

7.2   Questionnaire

Two different questionnaire surveys were conducted and each of them are analyzed separately.

7.2.1 Survey One

The first survey was conducted among the customers of Shoe Stop oy. Hard copies of survey questions were left in the store and customers were requested to fill in the questionnaire. Similarly, other customers of Shoe store were identified through networks and sent them online link containing the survey questionnaire. The survey was conducted for over two weeks and there were 16 respondents in this group.

The survey was divided into four different parts. The first part mainly covered the demography and shopping behavior of the respondents. The second part tried to understand the customer's perception towards the importance of visual merchandising and its elements. In the third part, customers were asked to rate the objectives of visual merchandising on a scale of one to five. In the last part of the survey, the respondents were asked to provide information about the actions they have taken after noticing certain key elements of visual merchandising. In this part, a scale of one to five was used. Each part is discussed separately.
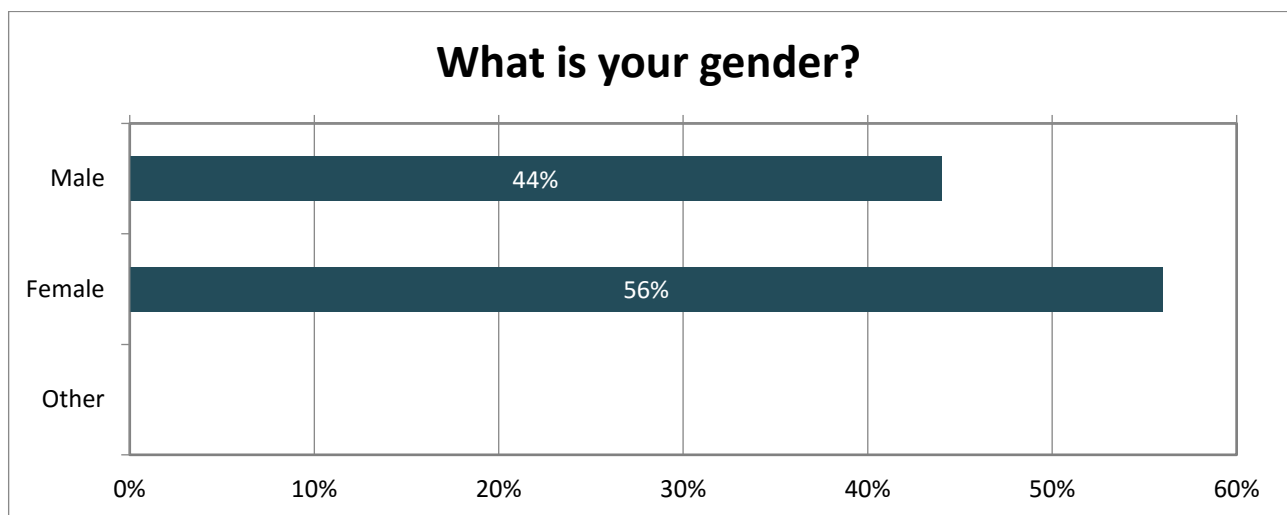
FIGURE 6. Survey One - Gender

Out of total respondents, 56% were females and the rest were males.

What is your age?
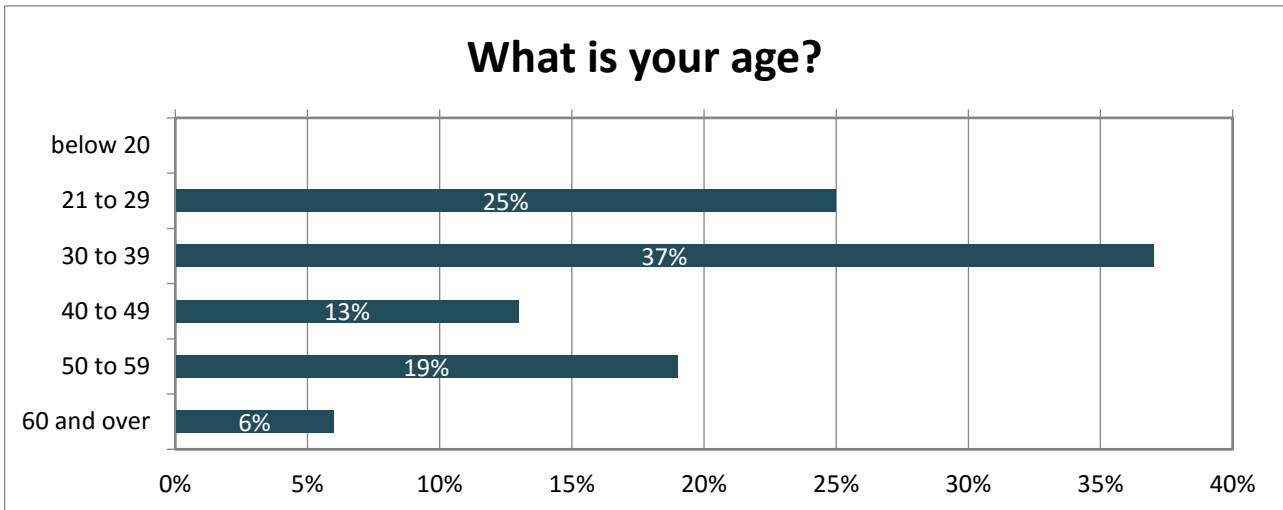
FIGURE 7. Survey One - Age group

One quarter of the respondents belonged to the age group 21 to 29, more than one third belonged to age the group 30 to 39, and the lowest number, about 6%, belonged age group 60 and over.

What is your marital status?
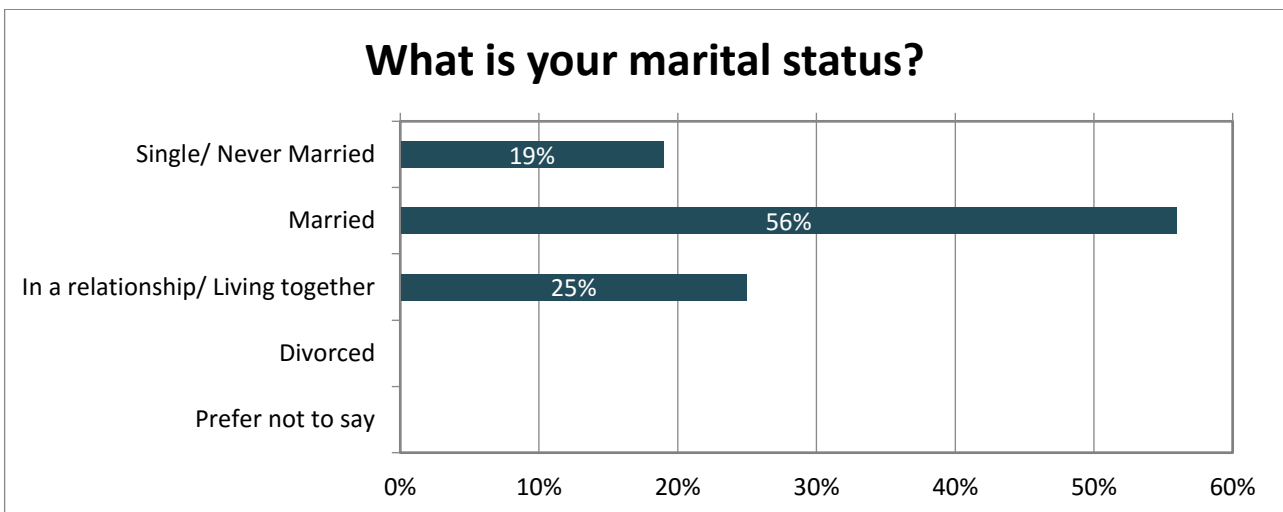
FIGURE 8. Survey One - Marital Status

More than half of the respondents were married, about one-fourth were in relationship or living together and the rest were single.

What is your employment status?
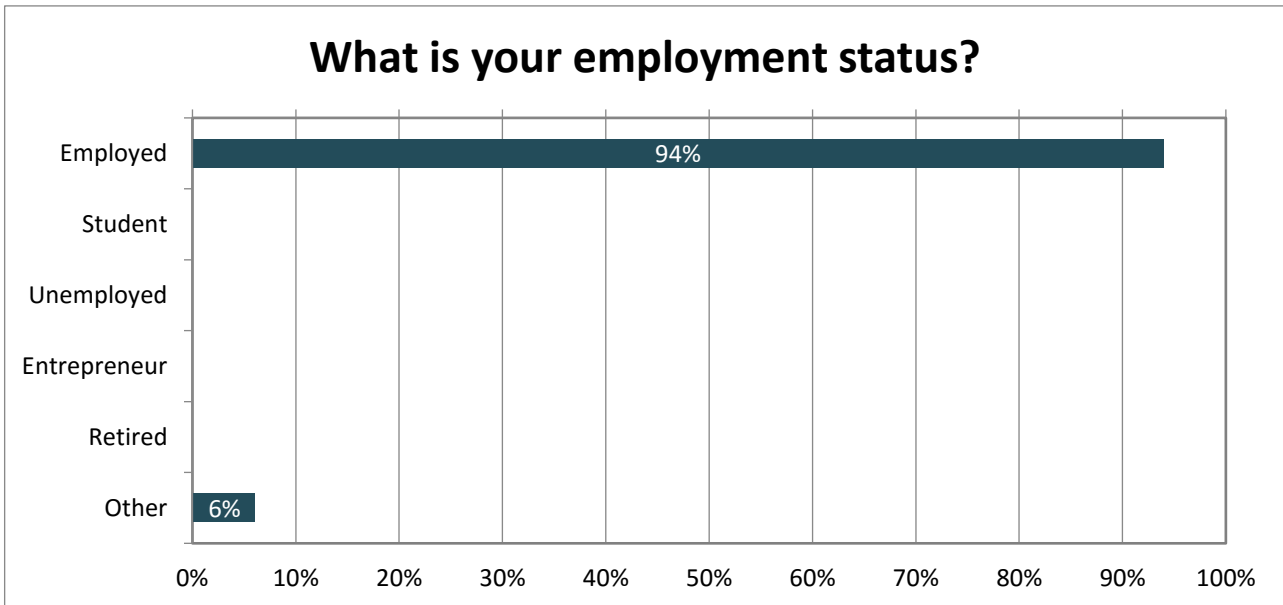
FIGURE 9. Survey One - Employment Status

Over 90% of respondents were employed, and the rest were either students or employed and students.

How often do you do shopping?
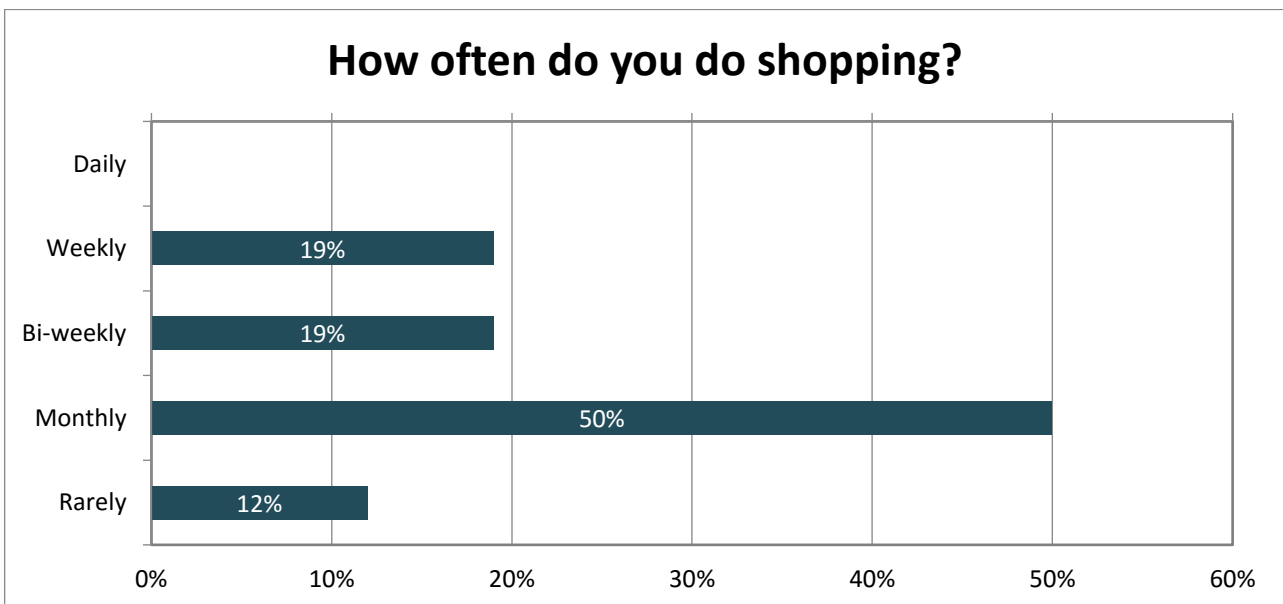
FIGURE 10. Survey One - Shopping Frequency

More than one-third of the respondents did shopping at least one time during a two weeks period, about half of them did shopping once per month, and the remaining rarely did any shopping rarely.

What items do you buy when you do shopping?

Clothes	81%
Accessories	50%
Books	38%
Electronics	38%
Others	6%
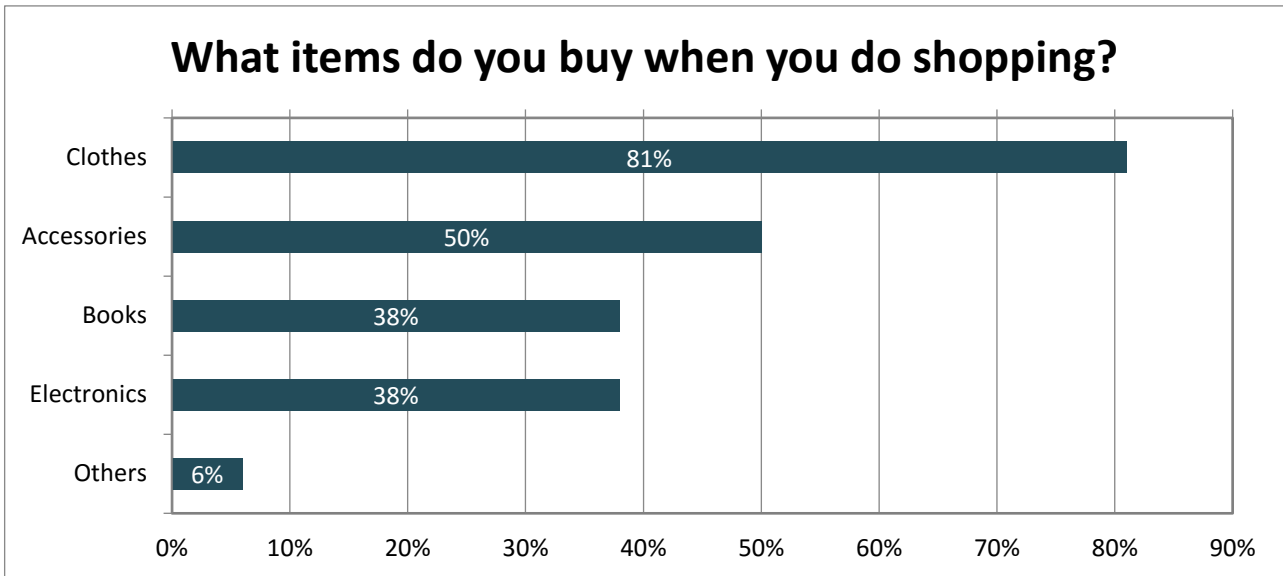
FIGURE 11. Survey One - Shopping items

More than 80% respondents said they buy clothes, and about 50% of them said they also buy accessories when they do shopping. About two-fifth of them buy both books and electronics items.

**Do you prefer to do shopping online or in-store or both?**

In-store	44%
Online	6%
Both	50%
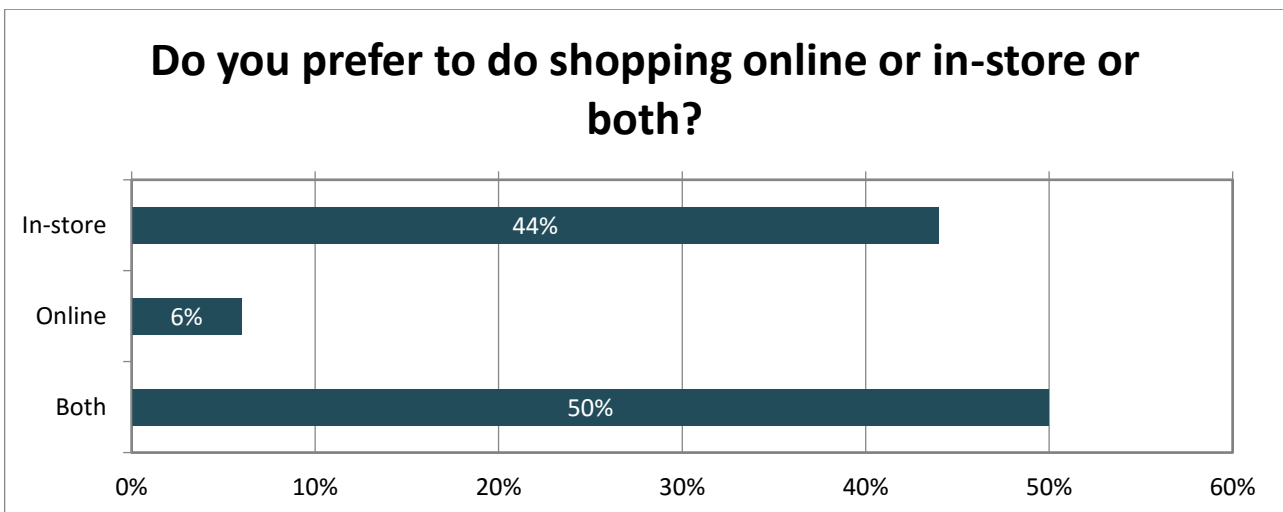
FIGURE 12. Survey One - Sales channel selection

When asked what sales channel do the respondent prefer to use about 50% of the respondents said they use both online and in-store channels, about 44% preferred to buy only in store, and the rest shopped online only.
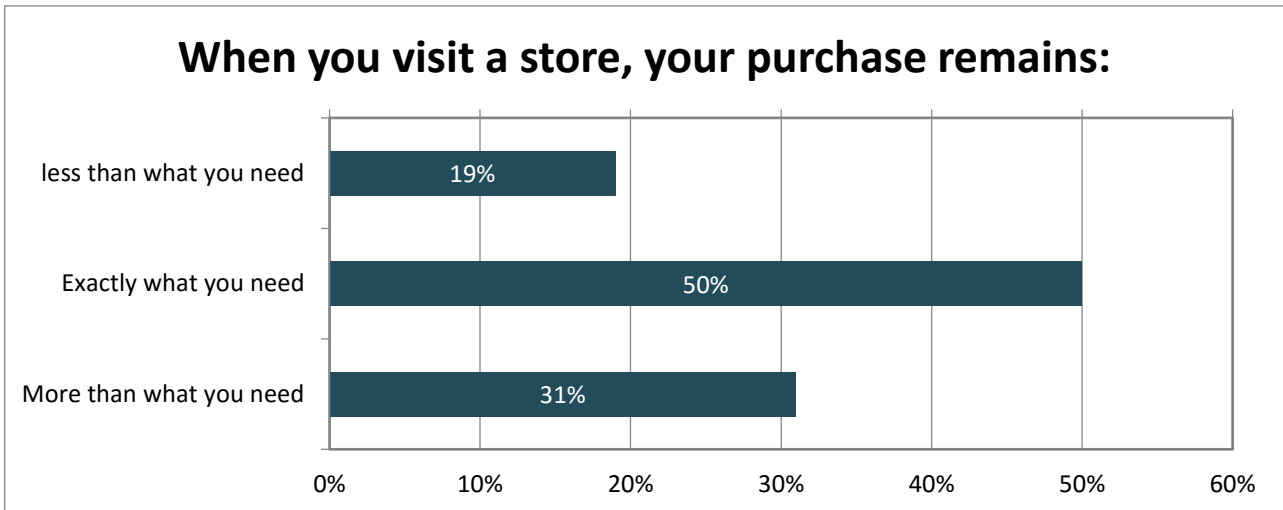
FIGURE 13. Survey One - Purchase quantity

The choice of respondents, whether they buy only those things that they have preplanned or they buy additional items or less than what they had planned, were studied. The result seemed interesting. Half of the respondents said that they buy exactly what they intended to buy, no more or less. About 20% of them said that they buy less than what they had planned. About one-third said they buy more than what they had planned to buy.
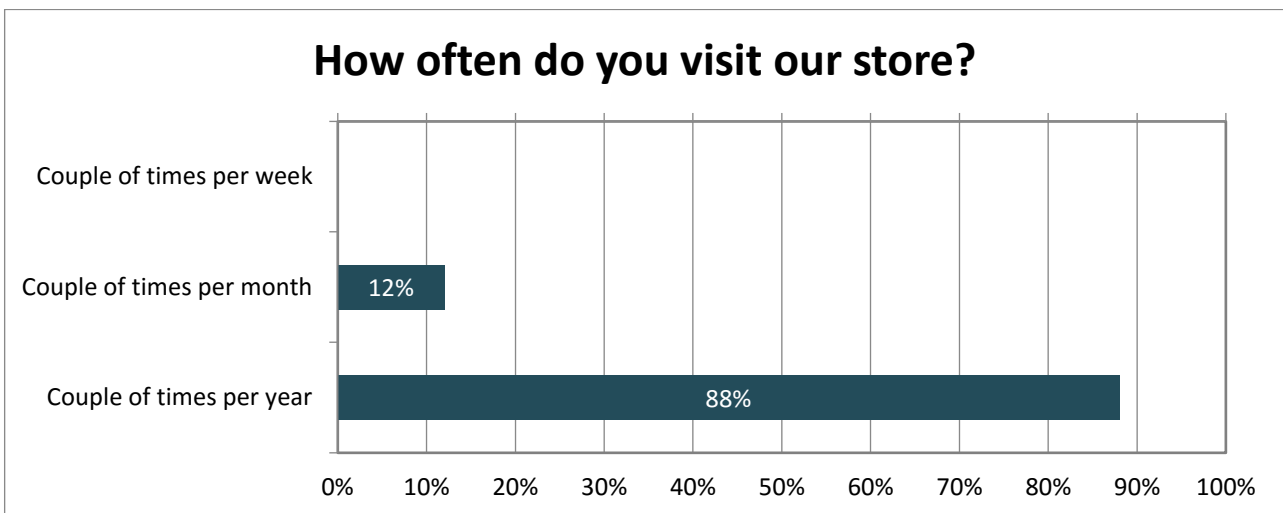
FIGURE 14. Survey One - Store visit frequency

About 88% of the responded visit Shoe Stop store a few times per year, while the rest visit the store a few times per month. None of the respondent visits store on a weekly basis.

How would you rate the importance of Visual Merchandising in retail store? (1 as low importance and 5 as high importance)

FIGURE 15. Survey One - Perception on Visual Merchandising Importance

The respondents rated visual merchandising as the most important activity in a retail store. An average of 4.5 was given on a scale of 1 to 5. This does imply that the respondents are aware of the subject being investigated, and perceive it to be of great importance.

Please rate the following parts of our store as per their importance (1 as low importance and 5 as high importance):
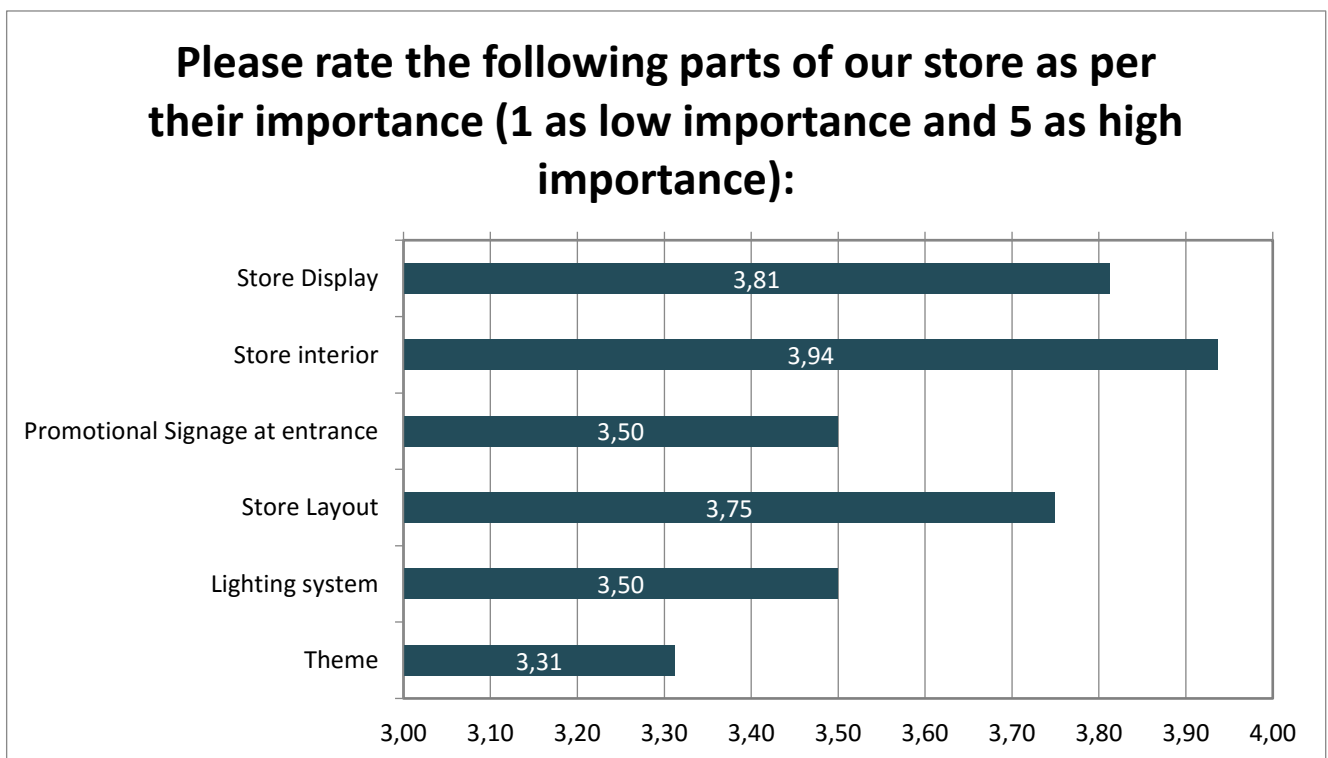
FIGURE 16. Survey One - Importance of Visual Merchandising Elements

The respondents were asked to rate certain visual merchandising elements of the store. The respondents believe the store interior, store layout and store displays to be most important among all elements of visual merchandising. Promotional signage and lightning system are also considered to be of great importance. They considered store theme to be less important than others, although rated it above the average.
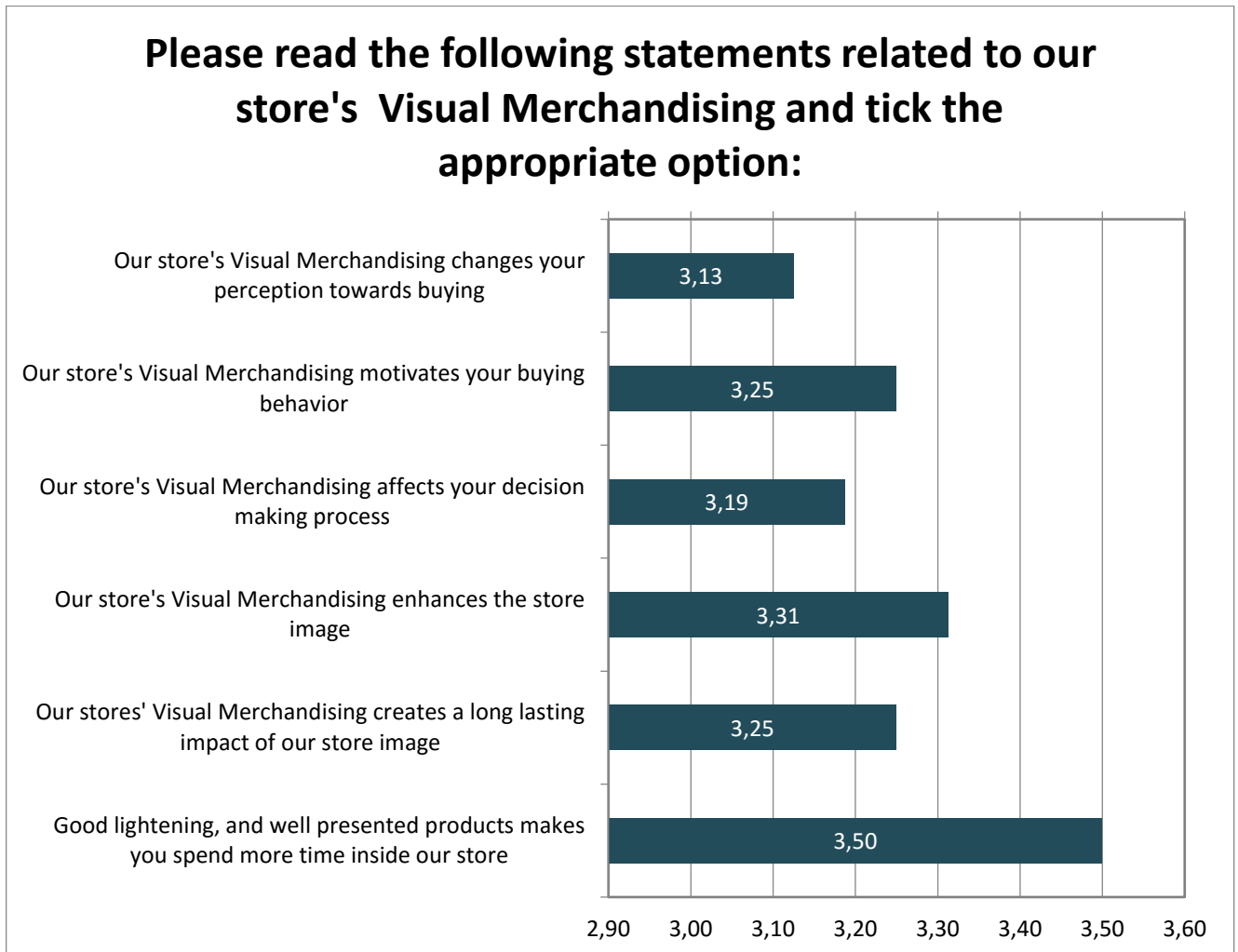
FIGURE 17. Survey One - Customers' Perception Towards Shoe Stop store's visual merchandising

The respondents were asked to provide information about the effectiveness of Shoe Stop Oy's visual merchandising on them. The outcome seems to be satisfactory, as the rating is close to the average. The elements shown in the figure above seem to have some acceptable level of impact on customers perception towards buying, but fails to have any strong on them. Similarly, the store's visual merchandising elements partially seemed to influence the buying behavior of customers, but again do not create any powerful impact. Likewise, these elements have an average level of effect on customers'

decision-making process, the creation of a good store's image, and the time spent by customers inside the store. The outcomes were satisfactory and there is certainly a strong opportunity for improvement.
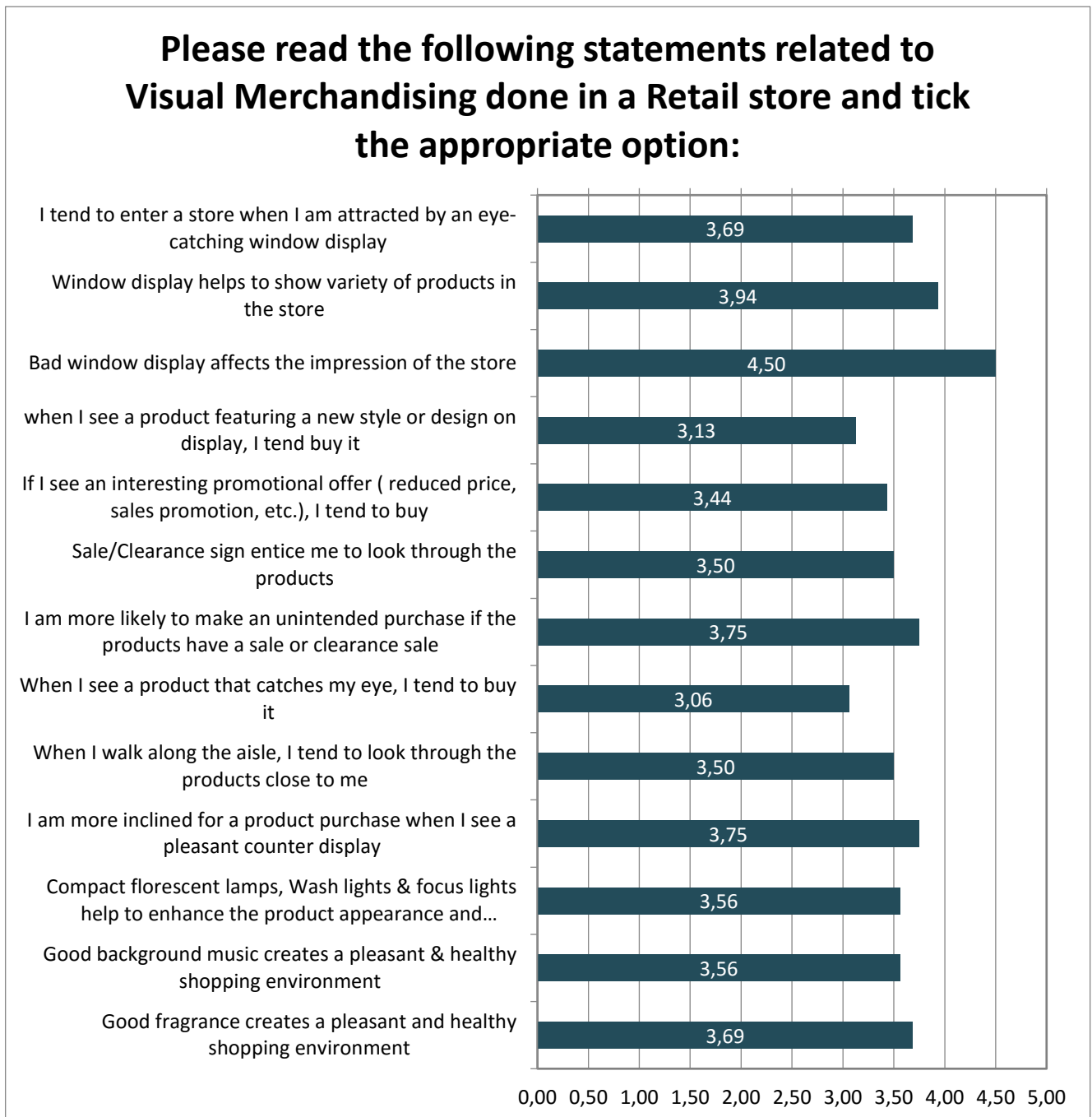
FIGURE 18. Survey One - Action Taken by Customer's after seeing Shoe Stop store's visual merchandising elements

This section of survey was intended to understand customer behavior when they are exposed to certain elements of visual merchandising. The result shows that the respondents highly agree on the impact a bad window display can have on the overall impression of a store. Similarly, a well-designed window

display is effective in attracting the attention of customers and encourages them to enter a store. The respondents think that good visual merchandising helps in better visual and presentation of products inside the store. On average, customers tend to buy products that are presented on the shelf or the window display, but the findings do not support a strong buying trend. Products on sales and clearance tend to catch attention of customers and encourage them to browse through, however sales of products on sale may not be as expected by the store. On average, customers also pay attention to products that are placed near the aisle. Most of the respondents agree that pleasant counter display influence customers' buying behavior and encourages impulse buying. Other elements such as lighting, background music, and fragrance strongly influence respondents, and thus create an excellent buying experience and a pleasant shopping environment.

It can be concluded that visual merchandising elements have a significant impact on customers, although each of them may not influence on a same level. A balance among them can be more effective and beneficial.

7.2.2 Survey Two

Information were collected from other group of people that live in Finland but are not customers of Shoe Stop Oy. These respondents were identified through network of people and questionnaire were sent through email. The survey structure and the questions were the same as in survey one. The rating scales were also similar to those of survey one. Findings are again divided and presented in parts.
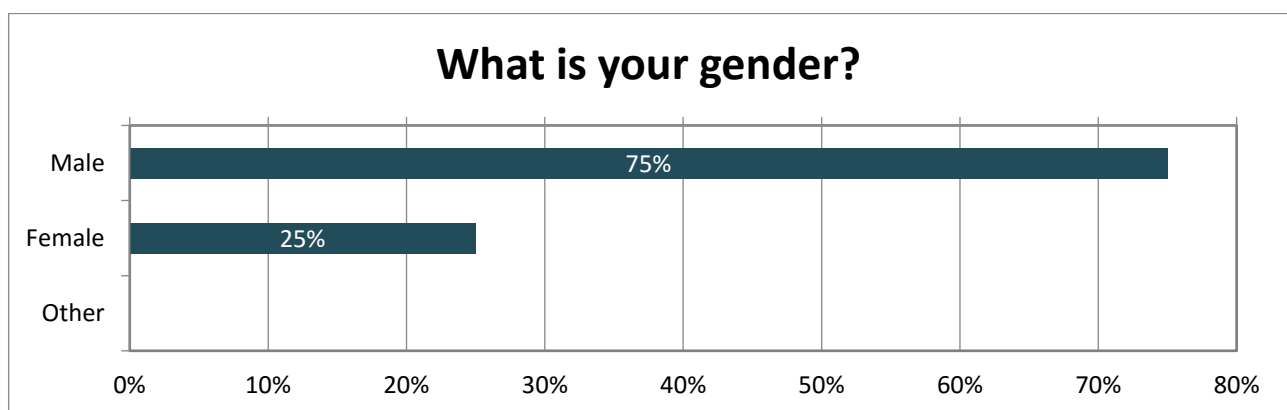
FIGURE 19. Survey Two – Gender

Altogether there were 16 respondents, and 75% of them were males and the rest were females.

What is your age?
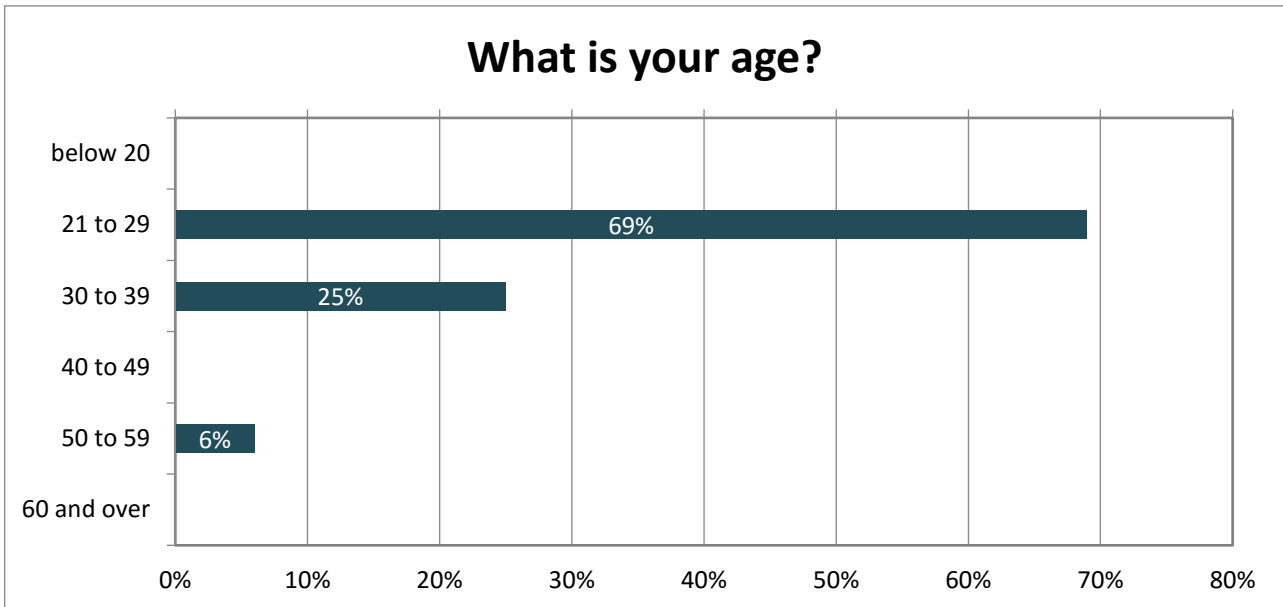
FIGURE 20. Survey Two - Age Group

About two thirds of the respondents belonged to the group 21 to 29 years, which implies a younger generation. Similarly, a quarter of respondents belonged to the age group 30 to 39. The rest were over 50.

What is your marital status?
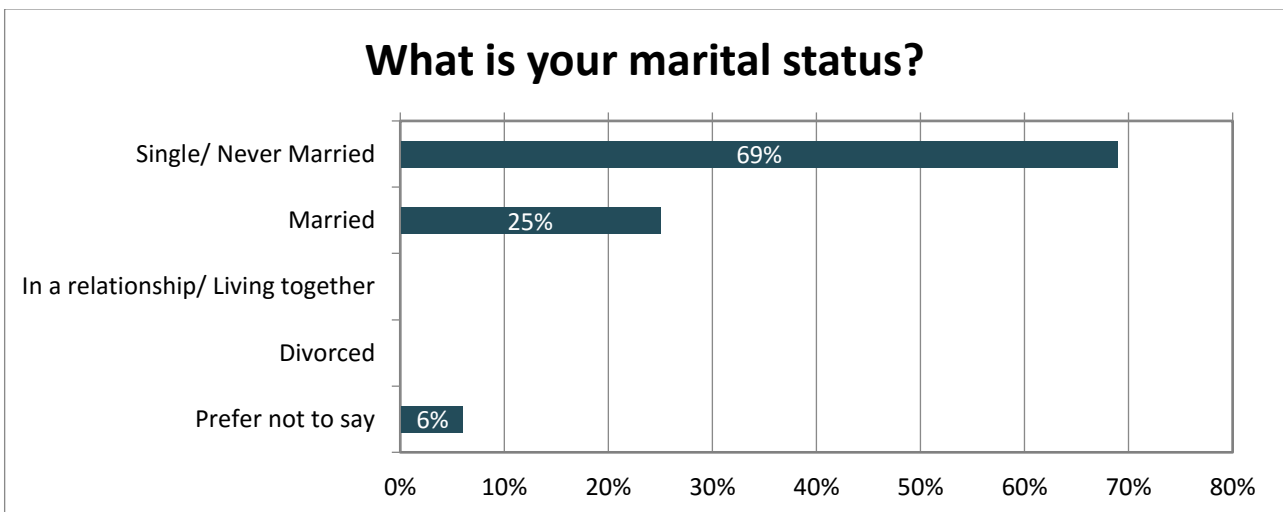
FIGURE 21. Survey Two - Marital Status

About 70% of the respondent were single and only one quarter of the respondents were married. About 6% of them chose not to disclose their marital status.

What is your employment status?

Employment Status	Percentage
Employed	25%
Student	56%
Unemployed	6%
Entrepreneur	13%
Retired	
Other	
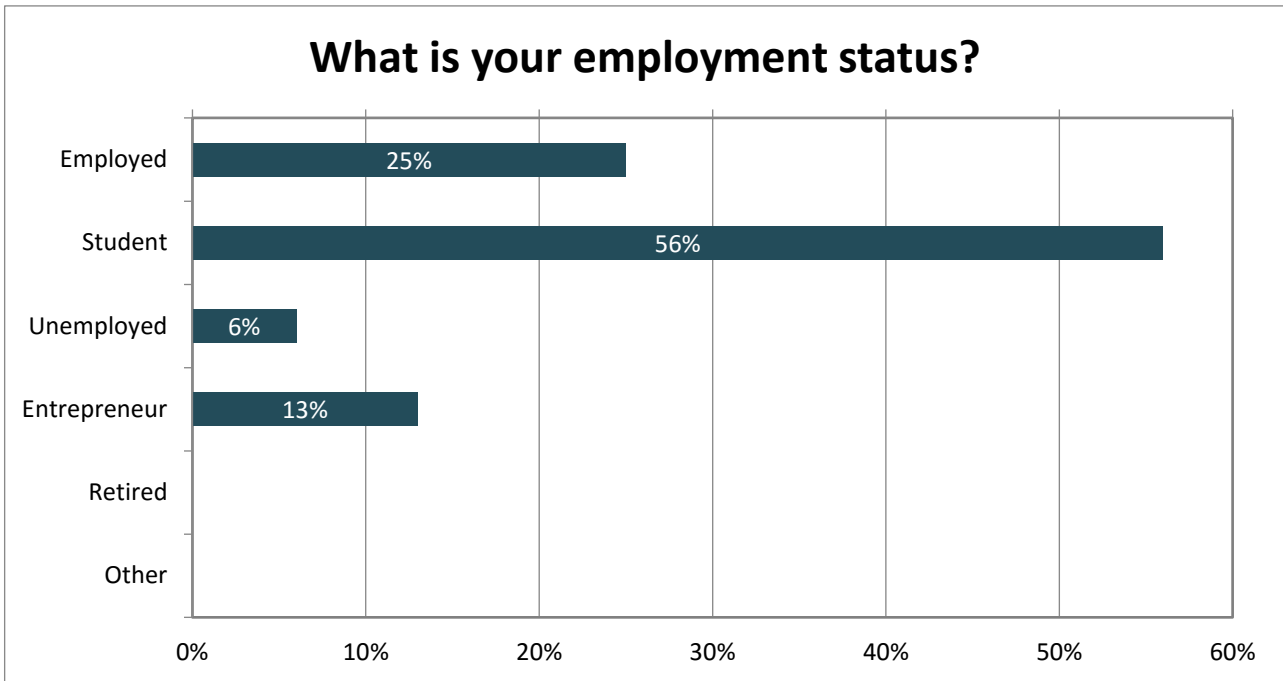
FIGURE 22. Survey Two - Employment Status

A large number of the respondents are students. This is plausible as many of the respondents belonged to the age group 20 to 29. A quarter of the respondents were employed, and some of them were engaged in entrepreneurship. This diversity made the outcome very interesting compared to survey one.

How often do you do shopping?

Shopping Frequency	Percentage
Daily	
Weekly	31%
Bi-weekly	13%
Monthly	50%
Rarely	6%
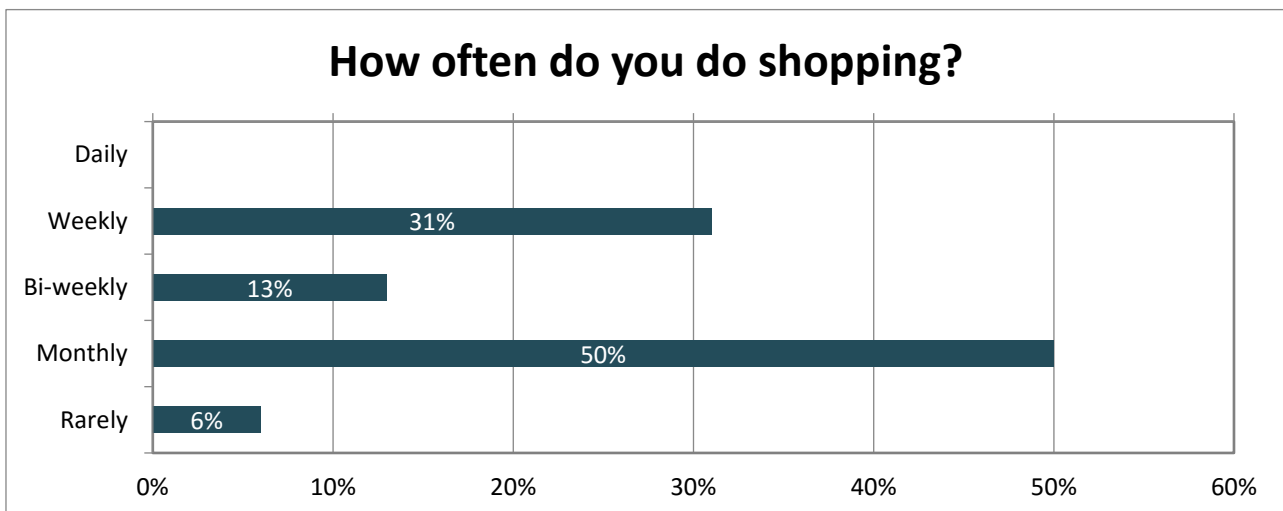
FIGURE 23. Survey Two - Shopping Frequency

About half of the respondents said they do shopping monthly, and one third of them did shopping on a weekly basis. A few of them do shopping bi-weekly, and a small group did shopping rarely.
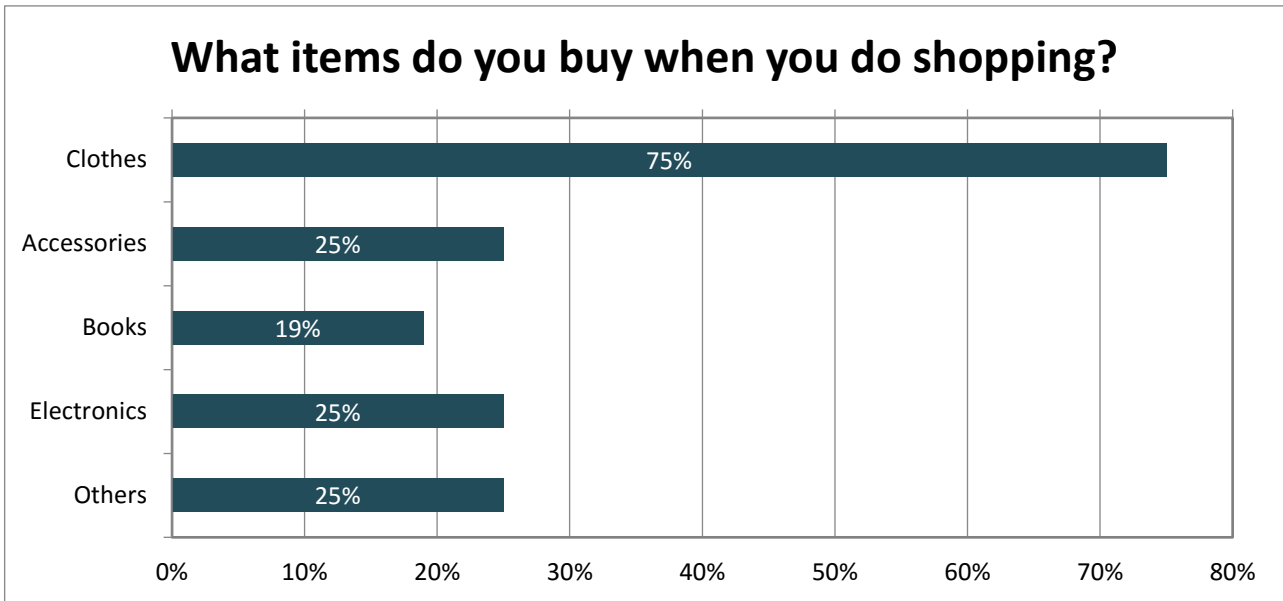
FIGURE 24. Survey Two - Items Bought

Most of the respondents bought clothes when shopping, and about a quarter of them bought accessories, books, electronic items, and shoes.
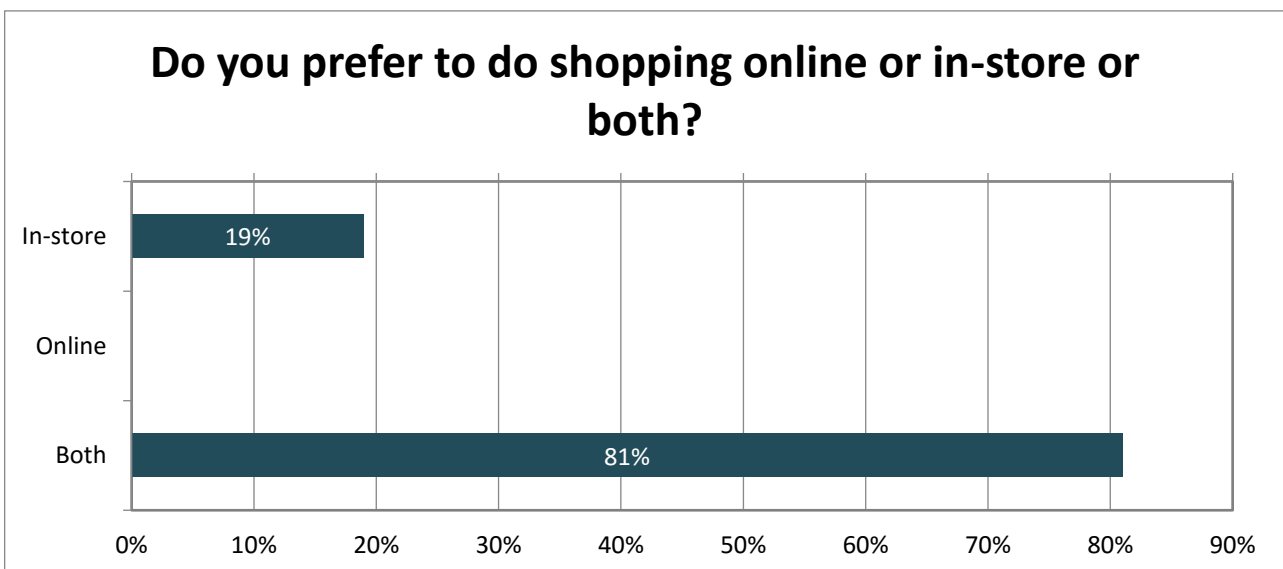
FIGURE 25. Survey Two - Selection of shopping channel

Most of the respondents said they use both online and in-store channel for shopping. Only one-fifth of them said they buy only from physical stores.

When you visit a store, your purchase remains:

less than what you need	25%
Exactly what you need	25%
More than what you need	56%
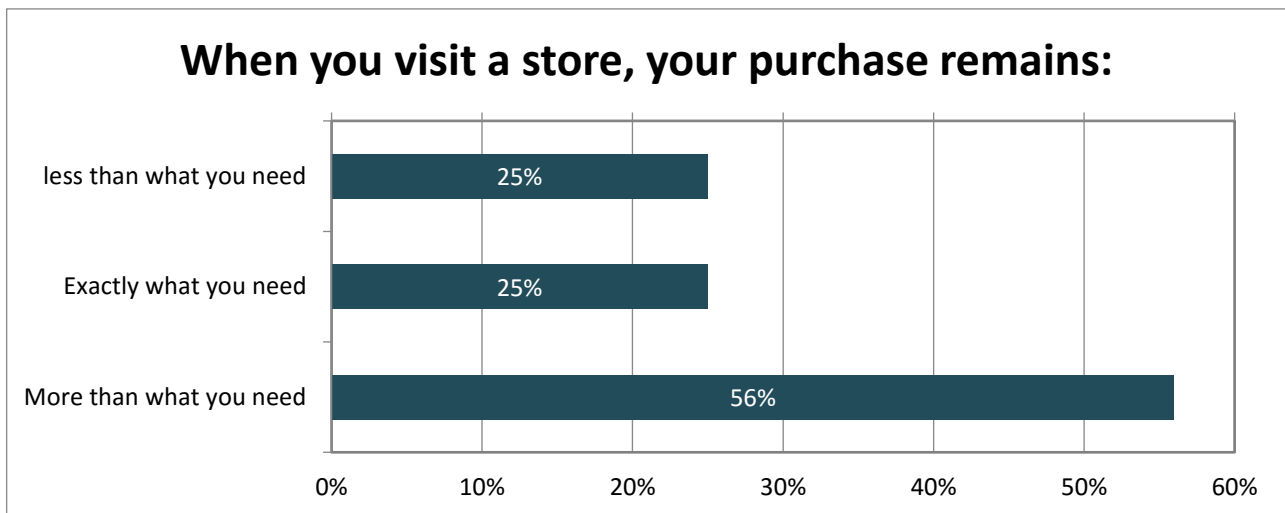
FIGURE 26. Survey Two - Store Visit Frequency

It is interesting to note that more than half of the respondents said they buy more than what they initially intendent to buy. About a quarter of them buy exactly what they intended and the remaining one quarter said they buy less than what they had intended. However, the underlying reason behind such behavior is unknown.

How would you rate the importance of Visual Merchandising in retail store? (1 as low importance and 5 as high importance)

1	
2	6%
3	31%
4	38%
5	25%
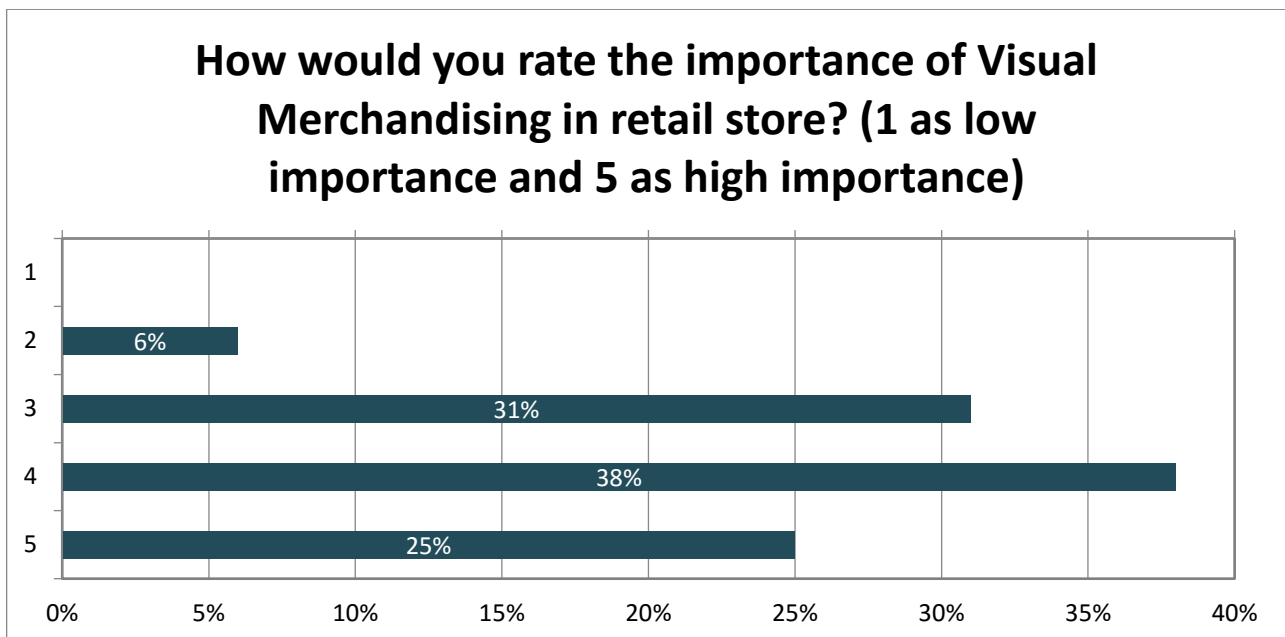
FIGURE 27: Survey Two - Importance of Visual Merchandising in retail store

The majority of the respondents believe that visual merchandising is highly important. About 6% do not find it important – there is no explanation but the author believes this to be either case of misunderstanding or limited understanding of the subject being investigated.

Please rate the following parts of Visual Merchandising as per their importance (1 as low importance and 5 as high importance):

Element	Rating
Store Display	4,06
Store interior	3,88
Promotional Signage at entrance	3,50
Store Layout	4,00
Lighting system	3,94
Background music	3,00
Fragrance	3,06
Theme	3,50
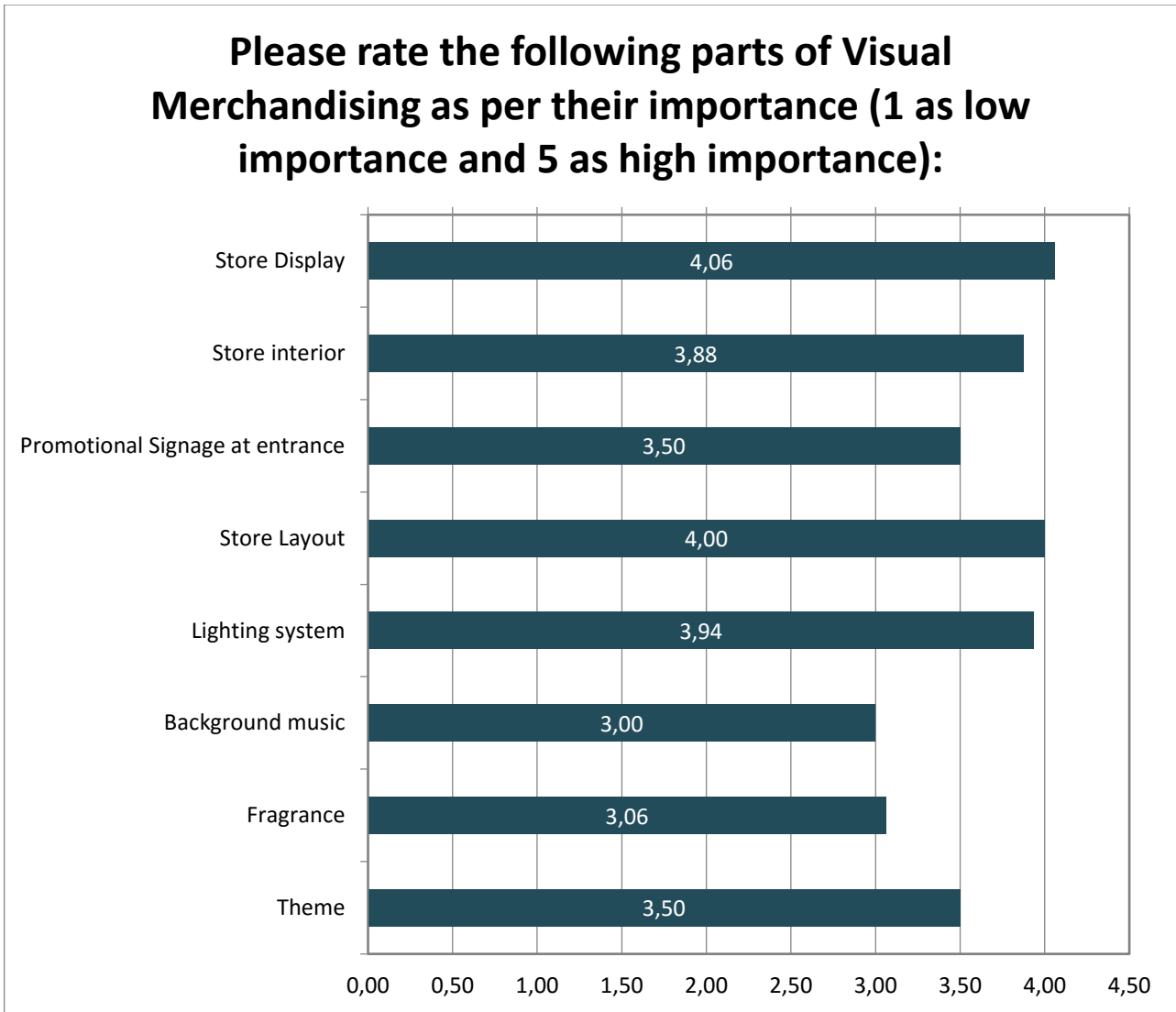
FIGURE 28. Survey Two - Importance of Visual Merchandising Elements

The respondents consider elements such as store window display, store interior, store layout, lighting system of high importance. Similarly, promotional signage and theme are also considered as fairly important elements. However, elements such as background music and fragrance are not considered having much importance, and these elements scored a fair rating in the survey.

Please read the following statements related to Visual Merchandising and tick the appropriate option:

- Visual Merchandising changes your perception towards buying: 3,88
- Visual Merchandising motivates your buying behavior: 4,00
- Visual Merchandising affects your decision making process: 3,56
- Visual Merchandising enhances the store image: 3,94
- Visual Merchandising helps in enabling long lasting impact and recall value: 3,13
- Good lightening, appropriate music played provokes me into spending more time inside the store: 3,19
- Visual Merchandising helps in increasing the sales of a retail store: 3,88

FIGURE 29. Survey Two - Impact of Visual Merchandising on Respondents

The respondents answered that visual merchandising has a strong impact on their buying behavior and perception towards buying. They also thought that good visual merchandising can create a strong image of a store. Similarly, they admitted that visual merchandising strongly affects their decision-making process and does have a direct impact on retail sales. They did not find store atmosphere to be a strong factor in spending time in a store.

Please read the following statements related to Visual Merchandising done in a Retail store and tick the appropriate option:

Statement	Value
I tend to enter a store when I am attracted by an eye-catching window display	3,44
Window display helps to show variety of products in the store	3,50
Bad window display affects the impression of the store	4,44
when I see a product featuring a new style or design on display, I tend buy it	3,00
If I see an interesting promotional offer (reduced price, sales promotion, etc.), I tend to buy	3,56
Sale/Clearance sign entice me to look through the products	3,69
I am more likely to make an unintended purchase if the products have a sale or clearance sale	3,13
When I see a product that catches my eye, I tend to buy it	3,50
When I walk along the aisle, I tend to look through the products close to me	3,63
I am more inclined for a product purchase when I see a pleasant counter display	3,31
Compact florescent lamps, Wash lights & focus lights help to enhance the product appearance and…	3,94
Good background music creates a pleasant & healthy shopping environment	3,56
Good fragrance creates a pleasant and healthy shopping environment	3,81

FIGURE 30. Survey Two- Action Taken by Customer's after seeing Store's visual merchandising elements

The final section of the survey covered all the action taken by the respondents when exposed to visual merchandising elements. On average, the respondents believed that window displays attract their attention more often. At the same time, the respondents strongly rated bad window display as a primary factor for creating a poor impression about the store. Similarly, the respondents firmly believed that a

suitable lighting, good background music, and pleasant store fragrance create healthy shopping environment, thus leading to a great overall shopping experience.

The Respondents said they do tend to a enter store because of a great window display and a promotion sign placed outside of the store, but the products displayed on the window display or discounted products may not strongly persuade respondents to buy them. Again, products presented on the shelf, near the counter and the aisle and those on promotion inside the store succeeded in attracting customers' attention, but may not create enough interest among the respondents to buy them. However, in case of an eye-catching product, the respondents were more likely to buy the product, and such products seemed more effective in turning the respondent's interest into sales.

7.3   Analyses and Discussion

The commissioner of this thesis is rather a small shoe store, and the findings may not be relevant for a large retail store. It was surprising to learn that the store owner has effectively used visual merchandising tools within the store, and have achieved certain objectives of visual merchandising. However, the full potential of this tool has not been exploited yet. The store has managed to use effectively the window display and communicate to their customers through this tool. The message seemed to have been well received by the customers and many of them have entered the store to further inquire about the products that have been displayed. The survey group one rated Shoe Stop Oy's visual merchandising as average and considered it to partly affect their perception towards buying, their buying behavior and their decision-making process. On the other hand, the survey group two found these elements have a significant impact on their buying behavior and decision-making process. There is a consistency in the findings from both surveys except in the parts of survey one where the questions are related to Shoe Stop Oy. It can be concluded that there are certain shortcomings in marketing practices of the store.

The limitation in the store marketing activities may have arisen because of two major reasons: available skilled resources and marketing budget. Normally, a large retail chain store has many visual merchandisers and marketing professionals working for them. In addition, the store employees are well trained and skilled in handling store related activities. In addition, these chain stores have a substantial marketing budget at their disposal to spend on different activities. In the case of Shoe Store Oy, the store does not employ any marketing professional, and hence the effectiveness of marketing outcome solely lies on the owner's professional capability and understanding. Given the size of the store, it can

be suspected that there is not an abundant marketing budget available to the owner to spend on such activities, and thus a rational allocation of resources in necessary. According to academic research and findings, visual merchandising elements need to be changed frequently to be effective. This does in fact require sufficient skilled workforce as well as marketing budget. Since the store is limited with both, this has a domino effect on the outcome of marketing activities as well as on the image of the store.

The respondents in both groups were aware of marketing terms which may have prevented existence of large biasness. There are many similarities and differences in the findings of the survey groups one and two. Similarities were found mostly in answers that were provided on general topics and all the differences were seen among answers that were related to Shoe Stop Oy. The demographic findings seem to be consistent in both groups, as well as the outcome is similar shopping choices and habits. In addition, both groups perceived an average rating of 4.5 as for visual merchandising being a crucial tool for stores. The difference in answers comes from the part where one of the group was asked to rate the store related visual merchandising elements and their importance, and the other group was asked to rate visual merchandising elements and their importance from general perspective. The findings are plausible as there are several shortcomings the in store's visual merchandising practices. The customers of Shoe Stop are fully aware of visual merchandising elements and they easily notice the quality of visual merchandising practice they are exposed to. It was interesting to find that the action taken by these groups when exposed to visual merchandising elements in general was consistent. Both groups can easily distinguish a poor and successful windows display. They have similarly bought products that are on sales and are on clearance. Both groups agree that the use of visual merchandising can enhance shopping atmosphere that leads to brand recognition and to a wonderful shopping experience. Both groups seemed to be attracted by window displays and showed similar reaction towards products that catch their eyes and those that are newly introduced or trendy.

The success of any business depends on how well they tell their stories to their customers and encourage them to buy their product. In case of Shoe Stop Oy, the respondents from the survey group one believed that Shoe stop's visual merchandising elements have only achieved partial success when creating a long-lasting store image and rarely convinced them into buying their products. On the other hand, the respondents of survey group two strongly agreed that a visual merchandising tool can create an excellent image of a store. Both survey groups tended to have similar response towards general visual merchandising elements, thus this proves limitation in the Shoe Stop Oy's visual merchandising practice. As mentioned earlier, the store is engaged in visual merchandising practices, but the full potential is yet to be realized. This is certainly a problem and a major challenge.

Based on the findings and learning from this research, recommendations were provided to the store to overcome this challenge. The store would need to make some changes with their visual merchandising practice: it can be done either by implementing additional elements or hiring a professional visual merchandizer to guide them. The store could also allocate a sufficient budget, if this is the case, into marketing activities. Creating a brand and image among customers is necessary, and it is essential when the existing and perspective customers are well educated and aware of such topics. In addition, providing a great shopping experience is highly valued among customers. Together with a professional the store would need to draft a plan and a strategy roadmap to create and enhance the store image and implement visual merchandising practices that will help in achieving this goal. This requires much work and cannot be achieve in one day; thus, patience and perseverance are required.

Since the size of the store and budget may hamper the plan, the store owner is advised to create a thesis project for design or marketing students of nearby academic institution to implement fresh ideas in the store. Alternatively, the store could also partner with the institution and ask for their help periodically. This would provide the store owner with an opportunity to implement new and fresh ideas in the store and students with an opportunity to work on a real project. Such cooperation exists, and the author has taken part in such cooperation. The outcome from such a project has been effective and useful. The acceptance of these recommendations lies completely in the hands of the store owner.

8   CONCLUSIONS

Retail industry has always been a topic of interest for the author. I have spent significant amount of time on research and discussion in the past with several groups of people. This thesis further enhanced the experience and understanding of the topic.

The overall research journey was fruitful and effective as the objective of this study was clearly defined at the beginning. I tried to understand the effectiveness of visual merchandising when used as a communication tool. In addition, the emphasis was also on understanding the awareness among retail community and the usage of these tools by stores to solve certain problems. The findings were surprising. It was amusing to learn that stores as well as customers are not only aware of these marketing tools but also respond in a best possible way when exposed to any of visual merchandising elements. The understanding of effective and ineffective tools was deep rooted among both the store manager and the customers. Both groups can easily distinguish the message being transmitted through visual merchandising elements, and react in either positive or negative ways depending on the quality of these tools.

The selection of theories and design of theoretical framework was a little challenging. Finding resources was rather easy as there are great resources, both online and offline. All available resources were reviewed and a few of them that were closely relevant for this thesis were chosen. The objective was to provide sufficient information to the readers for comprehensive reading, yet preventing them getting confused or lost. Topics such as visual marketing, visual merchandising and its elements, and an overview of the current retail industry with most significant challenges were covered. Learning from these theories guided in conducting this research in an academic way.

A thoughtfully planned research design certainly helps in getting unbiased outcome from a research. Often, the choice is strongly guided by the nature of research being carried out. The identification of data sources affects greatly the research method selected. It was rather easy to identify and select data sources for this research. The most relevant sources were the store owner, the store's customers, and a group of people who were not customers of case company. The best suited research method for this thesis was quantitative method. This helped to extract sufficient and relevant information for the analysis. The store owner provided a good picture about the store, product offering, marketing efforts as well as his marketing expertise and perception towards marketing tools. The survey group one

provided information about their perception towards the store, the store's visual merchandising, and general visual merchandising. Similarly, survey group two gave additional information to cross check the findings from the survey group one. Surprisingly, there was consistency in both findings, and this proved reliability and validity of this research.

To conclude, the retail store business is currently facing challenges and its survival is at risk. The sales are affected by a number of external and internal factors. For a store with the size of the case company, several additional factors may come into play, such as the weather and marketing budget. However, marketing budget may not be a constraint for a large retail chain store. Similarly, challenges related to the decreased sales and lower traffic are common for all. To overcome this, larger stores use several tools, and interestingly small stores are also implementing practices similar to large chain stores. Regardless of the store size and the business model, tools such as visual merchandising are highly effective in solving problems related to store traffic, sales and brand awareness. Significant outcome, however, greatly lies on the store personnel's ability to turn visitors interest into sales. The evidence of the desired response towards visual merchandising elements proves the effectiveness of this tool in communication. Thus, better and effective use of these tools can be the answer to many if not all problems currently faced by stores.

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APPENDICES

Part - 1: Introduction about the company

1. If you could describe about your company's business. For example, what products are sold and who are your target customers?
2. Is it family owned store?
3. When was this store opened (year?)
4. Do you sell only in store or there are other ways for selling to customers?
5. Who are your customers? Local People or from Outside
6. Do you have any branch?

Part - 2: What kind of in-store marketing activities are done by Shoe Stop Oy?

1. Do you have marketing professionals working for you?
   a. If yes;
      i. who are they? Are they service providers?
      ii. In what kind of marketing activities do they help?
   b. If no;
      i. how do you do the store's marketing?
      ii. What kind of marketing tools do you use?

2. How familiar are you with following topics? How much importance do you give to them? Do you use them in your store and why?
   a. Store Display / window display
   b. Store interior / store internal appearance
   c. Promotional signage at entrance
   d. Store layout
   e. Lighting system
   f. Background music
   g. Fragrance
   h. Theme

3. Do you think visual merchandising is an essential tool? Does it help to gain following advantages?
   a. Get customer's attention
   b. Presentation of products in a better way
   c. Communicate with customers

    d. Increase sales
    e. Create good image of store among customers and long lasting
    f. Enhance customer's buying experience
    g. Increase people flow into the store
    h. Make customer buy products

4. From your experience, if you could provide answer following questions.

    a. How satisfied are you with your marketing activities?
        i. Do you achieve your goal from these activities?
        ii. Do you keep record of the achievement and follow them?
        iii. Do you think it matches your expectation?
        iv. Any incident of miss-communication caused by visual merchandising that you would like to discuss?