INCREASING SALES PER RECEIPT

Customer Analysis and Personal Selling as Tools

Markus Ojala

Bachelor’s thesis
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International business
ABSTRACT

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Increasing Sales per Receipt, Customer Analysis and Personal Selling as Tools

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Thesis' topic was increasing sales per receipt and it was done for an outlet which is part of a larger retail business. Objective was to analyze the current financial situation of the outlet and the current personal selling process in order to provide the commissioner with information on how to improve sales per receipt. This was done by using provided data and data gathered by a questionnaire.

The data used includes sales data provided by the commissioner, an exit-survey conducted on customers and a questionnaire that gathered data from 38 customers. The theoretical section explores relevant theories in customer analyzing and personal selling. Empirical part consists of the authors work experience in the outlet.

The data indicate that the company was performing under budgeted because sales per receipt had decreased from last year. Survey indicated that the customers received personal service and high percentage of customers were paying customers. Data highlighted that the outlet was struggling with doing additional sales, resulting in lower sales per receipt.

Further research is required to identify consuming patterns of different kind of customers. The findings indicate that the outlet's employees need to focus on making more additional sales. In order to improve on that area employees could study theories used in this thesis, to gain more knowledge on how to better analyze customers and to sell more effectively.

Objective of the thesis was reached and the whole thesis is concluded with suggestions given to the thesis' commissioner on how to increase sales per receipt.
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1 INTRODUCTION

1.1 Thesis structure

First chapter of this thesis is background information about the author and the company. Info about the company will include some background information about the town where the store in question is located. Neither the information about the company or the town will go in to too much detail in order to protect anonymity of the company per their request.

Second chapter is theoretical framework of the thesis. Theoretical framework includes explaining key terminology and theories that will be used in the thesis. Last part of theoretical framework is research method analysis where I go into detail as to why I chose each research method and how I plan on using them.

Third chapter is topic in detail where I dig in greater depth to the current situation of the store, how things are at the moment and how that compares to how regional manager wants them to be. I will also explain the current sales process, what parts it includes and what are the company’s guidelines for a successful sale.

In the fourth chapter I combine data from several sources of research and analyze them on their own and look for correlations to other data as well as to find out patterns and other repetitive occurrences that give insight on what type customers there are and how they shop. I use data from the exit-survey and questionnaire to analyse the success of the current sales process and try to find reasons behind its successes or failures.

Final chapter is conclusions and suggestions. Here I, as the name suggests, conclude my thoughts and summarize all information discussed in the thesis. I will also include few suggestions for the commissioner that I believe can bring in positive change and help them reach their goals.

1.2 Personal introduction

I have studied International business at Tampere University of Applied Sciences and during my studies have gained knowledge of different business areas such as marketing,
company finances, project management and entrepreneurship. I spent five months, from December 2016 to May 2017, working in the company and branch that commissioned this thesis. I spent a few days working in a busier outlet located at a more populated area but this thesis mostly focuses on the situation of the outlet where I spent most of my time working there. In this thesis I use my gathered knowledge and research to analyze the current situation and provide the thesis’ commissioner with ideas on how to improve the current situation and reach their goals.

I have always been interested in entrepreneurship and wish that in future I have the opportunity to be my own employer. Therefore, I believe that my thesis is essential for my future, because every for-profit business is reliant on income from its customers and the higher the average consumption per customer is, the higher is the potential income for the business. Understanding customer’s needs is vital for any B2B or B2C company because when the customer feels that they are understood they feel respected as a customer and are more likely to leave as a happy customer, increasing likelihood of them coming again. I strongly believe that any findings I do while researching are applicable for businesses operating in different areas of business as well.

1.3 Company introduction

My thesis is commissioned by the same company where I conducted my practical training. They wished however that the thesis will be written without mentioning the company's name so they will be referred in this thesis as "company" or “commissioner”. Decision was made because this thesis will include information about the financial numbers of the company and their wish is that, while the data can be used in order to write my thesis, it is not linkable to them.

The commissioner for my thesis is a retail business whose main products are mattresses, duvets and pillows and in- and outdoor furniture. The Outlet that this thesis focuses on is located in Finland in a small town of roughly 30,000 inhabitants; the town is close to a much larger city. Business area of the company is a characteristic Red Ocean with large number of players operating in a stagnant market. They differentiate themselves from the competitors by relying on expertise of its workers especially when it comes to sleeping products. This makes this thesis relevant for them since personal selling and customer analyzing are key components so that each customer’s needs are accounted for
Linton (2018) points out that when doing personal selling you need to be able to persuade the customer into seeing how the product offered for them offers a solution to their needs. This does not however mean deceiving customers because if the customer feels that they are being lied to or sold something that doesn’t fit their needs at all; they will most likely take their business elsewhere. In the age of social media, this kind of negative experiences can spread out like wildfire and it is next to impossible to undo the damage it can cause. Therefore, it is paramount that the customer understands what is being sold to them and why those specific product/products meet their current and future needs.

There is a growing need to optimize sales processes, with the amount of customers growing yearly, while number of employees is staying the same. This is leading to there being less time for each customer or risking customers not getting personal service, which is against company’s promise to customers, see figure 1 below. This highlights the emphasis on providing great customer service with limited time available, one that can be achieved with better and faster understanding of the customer’s needs. Well thought and practiced customer analyzing during customer interaction shortens the time it takes for the employee to find the best suited option for the customer.

FIGURE 1 Company's promises to customers
2 THESIS PLAN

2.1 Thesis topic

Topic for this thesis is increasing sales per receipt, which means increasing the amount of Euros every customer spends in the store. There are several factors affecting sales per receipt, but the company’s concept is strict and there is not much leeway to change layout of the store or how different products are represented. So I decided that instead of minor tweaks in the concept and other tangible changes, I will focus on the sale process and interactions between the salesperson and the customer. Emphasis is on identifying different types of customers and what their habits and preferences are and how to tinker personal selling strategies to accustom these customers.

Sales per receipt is one of the company’s key figures and a target for it per fiscal year is set by the regional manager and monitored by monthly meetings, where store managers present past months financial numbers and also the results from an exit-survey. Sales per receipt has straight link to the company's total revenue and as things currently stand, the outlet where I work has enjoyed significant growth in the customer stream; increase of over 10% during September-December period. Still the revenue was below the target of 10% annual growth set by the regional manager. Customers are finding the store in great numbers and the revenue should be well above the target. This is why my thesis is topical for the company. While customer numbers have increased, the amount of money each of them spends has decreased. Decrease means that even though the company’s revenue has marginally increased from last year’s figures, it could be significantly higher if the sales per receipt had also increased to the level demanded by the regional manager.

Every customer that comes into a store is a potential buying customer and it is up to the salesperson to find and sell them the product that fills the need that brought the customer into the store. It is this interaction between the customer and the salesperson that determines whether the customer leaves happy or not. Vesterinen (2014, 12) emphasizes the importance of a happy customer: “happy customers become loyal customers, and they bring in more money”. This is due to loyal customers being more likely to buy
more products than regular customer and being more willing to choose the more expensive option (Vesterinen 2014, 12).

2.2 Thesis objective

The regional manager has set target parameters for the store at the start of a fiscal year and this four-month period at the start of the fiscal year gives a good insight on how well the store has so far reached set goals. Objective of this thesis is to research reasons behind the current situation and what are the areas, where the store is not reaching its objectives. After the reasons have been analyzed, I look into how these areas could be improved. I plan on doing it by focusing on the current personal selling process, breaking it down to smaller pieces and evaluating those using data from surveys and my personal working experience, supported by literature.

2.3 Terminology and working theories

2.3.1 Terminology

Customer segmentation. “The act of separating a group of clients into sets of similar individuals that are related from a marketing or demographic perspective” (Business Dictionary).

Customer analysis. “The process of identifying and evaluating the distinguishing characteristics of a base of customers in order to better understand their needs and, purchasing behaviour, value orientation and motivations” (InvestorWords).

Personal selling. Personal selling is face-to-face selling where salesman tries to sell product/service to customer using his or her skills and abilities (The Economic Times).

Sales per receipt: Sales per receipt means the total monetary amount that a customer spends on the products they buy.

Articles per receipt: Articles per receipt means total amount of products the customer buys.
2.3.2 Working theories

Blue Ocean strategy versus Red Ocean strategy.

<table>
<thead>
<tr>
<th>Red Ocean Strategy</th>
<th>Blue Ocean Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on current customers</td>
<td>Focus on noncustomers</td>
</tr>
<tr>
<td>• Compete in existing markets</td>
<td>• Create uncontested markets to serve</td>
</tr>
<tr>
<td>• Beat the competition</td>
<td>• Make the competition irrelevant</td>
</tr>
<tr>
<td>• Exploit existing demand</td>
<td>• Create and capture new demand</td>
</tr>
<tr>
<td>• Make the value-cost trade-off</td>
<td>• Break the value-cost trade-off</td>
</tr>
<tr>
<td>• Align the whole system of a firm’s activities with its strategic choice of differentiation OR low cost</td>
<td>• Align the whole system of a firm’s activities in pursuit of differentiation AND low cost</td>
</tr>
</tbody>
</table>

TABLE 1 Red Ocean Strategy vs. Blue Ocean Strategy (Layton, 2009)

Blue Ocean is when company operates or creates a market for product/service where there is no competition and the market is uncontested, for example Cirque du Soleil broke the circus model and combined atmosphere and music to acrobatic performances accustomed to the circus. They managed to create a niche market where there are no direct competitors. After creating the concept Cirque du Soleil has in 20 years eclipsed revenues generated by traditional circuses over the past 100 years.

Red ocean is illustrated by picturing an ocean where several sharks fight over a small and ever declining piece of meat, coloring the whole ocean red. “Red ocean is where every industry is today” (Layton, 2009), businesses fight over the same market, often declining. Businesses usually focus on either differencing themselves from the competitors or reducing costs.
Porter’s five forces.

1. Supplier power. Assessment of how easy it is for suppliers to affect the prices. This is influenced by number of suppliers, size and strength of the supplier and cost from switching from one supplier to another.
2. Buyer power. Assessment of how easy it is for a buyer to affect the prices. Influenced by the number of buyers and importance of an individual buyer.
3. Competitive rivalry. Number and capability of competitors reduce market attractiveness.
4. Threat of substitution. When close substitute products exist in the market it increases customer’s likeliness to switching to alternative products.
5. Threat of new entry. How likely it is for a new competitors to enter the market, more competitors reduce profitability.

FIGURE 2 Porter's five forces (CGMA, 2013)
Consumer decision making process:

The consumer’s decision making process behind a purchase can often be divided into five steps. First step is need, the customer realises that there is a need for a new product, for example moving into a new and smaller apartment where the current sofa would be too big to fit. Second step is information gathering, searching for a sofa that meets the criteria. The internet has changed this step drastically and nowadays the customer has access to all the necessary information about the products and where they can be bought. Third step is to evaluate the alternatives, in this case it would be to choose the correct size, desired material and choosing between a regular sofa and a convertible sofa.

Fourth step is the purchase of the product, be it by going to a retail store or ordering online. According to Schiffman and Kanuk (2000, 456) “consumer makes three kinds of purchases: trial purchases, repeat purchases and long-term commitment purchases”. Trial purchase is where consumer buys small quantity of a product to test and evaluate it, like a new laundry detergent, before committing to buying a larger quantity. Repeat purchases are closely related to brands and brand loyalty, such as soft drinks and mobile phones where the consumer is willing to buy/use it over and over again. Long-term commitment purchase is when the customer commits to having the product for a long term, change in these products occurs rarely since life expectancy of these products is
often several years or more. The final step is post purchase evaluation where the customer evaluates if the product filled the need, this also includes feedback towards the seller, such as a review, negative or positive, or reclamation if there was a deficiency in the product.

2.4 Working methods and data

For my thesis I will use diversified methods of data collection and by doing so I gather enough and different kind of data to be able to have multiple viewpoints. I chose to have multiple sources of data because any of the sources listed below is not sufficient alone but needs another source to find reasons behind the information they provide.

First method of data collection is my own empirical observations from my time working there during the December-May period. My working experience is valuable for this thesis because it gave me first-hand experience on how the sale process works and how the salesperson can help in the customer’s decision-making process. I worked mainly as a salesperson doing personal selling and customer service. Working with customers gave me knowledge on how to sell different kinds of products to customers and how to approach different kind of customers and what the key selling points for each kind are. This is probably the hardest method to turn into concrete data, but it works as a glue to intertwine fragments of data together and help find meaning behind them.

Second method is the existing sales data provided by the commissioner. This data includes different key sales figures such as: total revenue (current and last year), revenue of different business areas, and the amount of customers, articles per receipt and sales per receipt. This data works as a basis for my research since from there it can be seen what areas are below what is budgeted. I decided to use data from September to December because during that time there were no major campaigns usually running such as clearance weeks when older and outgoing products are sold for majorly lowered prices. Only major event affecting these months’ sales is Christmas but it serves as an excellent opportunity to see what difference it has on sales per receipt and articles per receipt. The data provides insight into the current situation and it will be used to display the current situation in chapter 3.
Third method is data from the exit-survey conducted monthly by the company. The exit-survey is intended to measure customer satisfaction on several different key areas such as personal service, sales percent and additional sales. The exit survey is conducted at the exit for customers leaving the store. It is conducted by a third party and depending on how many responses they get it takes one or two days. The exit-survey provides data on how well the customers were received when they arrive in the store, did they get greeted when entering, were they offered personal service and were they offered additional products on top of the ones they came to look for in the first place. It also includes questions about the store layout and cleanliness but that information is not relevant for this thesis and will be ignored.

To support the results from exit survey I created a questionnaire for customers to fill before leaving. My hypothesis for the questionnaire was that based on my working experience, there are two customer types that come into the store for two different reasons. There are customers that come to look for a specific product that they have researched at home. And then there are customers that come into the store on their way to somewhere else or to just look around and aren’t looking for anything specific. From this data my goal is to analyze different kind of buyers and what their buying habits are and whether there is enough of a difference that these groups should be approached differently from a selling perspective. Both surveys are quantitative in nature because a quantitative survey makes it easier to compare results from different surveys with each other. The questionnaire was available for customers to fill at the checkout and they were given instructions if needed. My target was to get roughly 40 responses, because it represents the average amount of customers that visit the store on an average day.
3 THESIS TOPIC IN DETAIL

3.1 Competitive position of the company

To start analysing the current situation I will use Porter’s five forces to see the company’s current competitive position.

![Porter's five forces](image)

Supplier power. Suppliers have power to affect the prices because there is only a limited amount of suppliers who can supply the required amount of products to tens of outlets in Finland. However, there are several suppliers who supply different kinds of products; like some mattresses come from a factory in Finland while others come from Germany, same with other product lines. The company having several different suppliers lowers the suppliers power because the company is not dependent on a single big supplier. Cost of switching from one supplier to another is high because that also means, that transportation would have to be re-arranged and it could create deficiencies in stock for a considerable amount time.

Buyer power. Because most of the business done by the company is B2C, single customer can’t affect the price that much. Obviously if the price for a product is too high
for most of the customer base, it leads to the product not selling and losing its value sitting in inventories of the stores. This can lead to prices getting lowered altogether but it takes time and therefore means that the buyers have low power.

Competitive rivalry. There are thousands of small and medium sized furniture retailers but that number is ever decreasing. Main reason is urbanization which empties more rural areas where smaller businesses used to flourish. This has opened a way for bigger chain retailers to obtain that market place by being able to offer same products available all over Finland. The thesis commissioner belongs to this group and they are opening up roughly four new stores every year. Because the products are very similar with all the players, companies with larger suppliers and bigger order quantity are able to push their prices lower, whereas local retailers often rely on Finnish made products and designs that are priced higher.

Threat of substitution. With a lot of players operating on the same market with all of them offering similar products there is always a risk that the customers go to the competitor that offers greater value for them, but at the same time the risk is the same for the competitors too. More often than not, customers make the decision based on price, style and quality. IKEA is the market leader in price with large order quantities and open warehouses where customers can pick up their products. KRUUNUKALUSTE on the other hand offers high quality design products, which are several times more expensive than subsidiary product from IKEA. The commissioner is in between both ends, they offer specifically designed products for an affordable price.

Threat of new entry. As the furniture retail sector is very volatile and subject to changes in purchasing power it is unlikely for a new major national chain to arise. However, there is always the possibility that a big operator from abroad expands to Finland; one example could be Amazon, if they open up an inventory in Finland which would cut delivery times. However, the commissioner is in strong position and should be able to hold their market share due to them having a strong presence in Finland with over 70 stores located around Finland.

To summarize the analysis, the commissioner is in a very strong competitive position due to their balance in style and price. This has allowed the company to improve financially in Finland even though furniture retail in general has decreased in Finland for
several years. Their obtained market share and continuous expansion combined with aforementioned compromise in price and design allows them to withstand changes in the economy and other consuming habits.

3.2 Economical situation

Finland’s economical situation has steadily improved over the past few years and Finland’s Gross Domestic Product (GDP) has grown since 2014, and in 2016 the GDP growth was 1.4%. It is estimated that the GDP will keep increasing for at least the next few years (European Commission). Because the economy is improving there should be an increase in the amount of customers that are able to buy new products and also an increase in the buying power of the customers, meaning that customers are able to afford more expensive products. This affords a platform for the company to increase its revenue and more specifically increase sales per receipt because when the economy is in a downturn and people’s buying power is diminishing, customers are unlikely to afford expensive products and instead settle for less expensive options.

3.3 Financial performance of the outlet

I started my practical training there on the 5th of December but I spent most of December learning about the company, the sale process and the products. This means that even
though I already got some sales experience during the first month it didn’t have notable difference in numbers. All sales numbers are after VAT (24%). In table 2 below, freight means home-delivery service that is available for the customers. Delivery is handled by a third party, and the price for delivery is added to the products price and depends on the distance the customer lives from the store.

For the fiscal year of 2016/2017 the regional manager has set a target of revenue growth of 10% while target for sales per receipt is +2€ to last year’s figure.

TABLE 2 September-December periods sale figures

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales Retail excl. freight 2016/17</th>
<th>Sales Retail excl. freight excl. online 2016/17</th>
<th>Plan Sales Retail</th>
<th>Index Sales Retail plan excl. online</th>
<th>Var. Sales Retail excl. online</th>
<th>Sales Retail prev.</th>
<th>Index Sales Retail prev.</th>
<th>Var. Sales Retail prev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEP</td>
<td>78,0</td>
<td>78,8</td>
<td>80,9</td>
<td>94,9</td>
<td>-4.1</td>
<td>78,0</td>
<td>100,0</td>
<td>0,0</td>
</tr>
<tr>
<td>OCT</td>
<td>88,5</td>
<td>67,3</td>
<td>72,9</td>
<td>62,3</td>
<td>-5.6</td>
<td>71,6</td>
<td>95,7</td>
<td>-3,1</td>
</tr>
<tr>
<td>NOV</td>
<td>94,1</td>
<td>60,5</td>
<td>62,1</td>
<td>100,0</td>
<td>7.4</td>
<td>70,4</td>
<td>118,7</td>
<td>14,8</td>
</tr>
<tr>
<td>1. Quarter</td>
<td>240,6</td>
<td>233,0</td>
<td>230,8</td>
<td>99,0</td>
<td>-2.4</td>
<td>229,0</td>
<td>105,2</td>
<td>11,8</td>
</tr>
<tr>
<td>DEC</td>
<td>111,9</td>
<td>109,4</td>
<td>108,3</td>
<td>101,0</td>
<td>1,1</td>
<td>103,2</td>
<td>108,5</td>
<td>8,7</td>
</tr>
</tbody>
</table>

Months from September to November are typically quiet months business wise when compared to December, January and late spring, namely April and May. This makes it an optimal window in which to examine the store’s performance. There were no major differences during this time when compared to last year’s identical period. Similar marketing campaigns ran in both 2015 and 2016. The difference in sales during this period is therefore due to internal things.

From table 2 we can see that September was identical in sales to what it was in 2015. However, for 2016, sales were budgeted to be 80,900€ but total sales excluding freight and online sales were just 76,800€, 5.1% lower than budgeted. There was 7.1% increase in the amount of customers, see table 3 which should mean that sales are increasing. There was a slight decrease in articles per receipt (table 3) but it is only a slight decrease and isn’t enough to explain the lack of financial growth by itself. More pressing concern is the decrease in sales per receipt (table 4). Sales per receipt decreased from last year’s
42.7€ to 40.2€, a decrease of 5.8%. If sales per receipt was the same as last year, total sales in September would have been 4,780€ higher.

This is cause for concern, because more customers made purchases in the store than last year, but they bought fewer products and the total price of these products was lower than during the same period last year. Since there were no significant differences in campaigns or other external factors it means that the difference is in sales or more so, the lack of them. When the whole fiscal year’s sales are planned in a way that the total revenue should increase by 10% it is rather alarming that the first months are already below the expectations rather drastically.

Same trend continues in October which was quieter than September, both last and this year. October was a quiet month also when compared to last year’s numbers. From table 3 we can see that it is not due to a lack of customers since there were 165 more customers than last year, 11% increase but it didn’t transfer into an increase in sales but instead fell 3,100€ below the sales of last year and 5,600€ below what was budgeted for this year. Even though articles per receipt increased in October by 3.1% sales per receipt decreased by an alarming 13.2% (table 4). This means that every one of 1665 customers that came into store spent 6.2€ less than they did last year, which means a loss of 10,323€ in sales. That would have put total sales to 77,600€ making it 4,700€ above budgeted sales.

<table>
<thead>
<tr>
<th>TABLE 3 Articles/receipt September-December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
</tr>
<tr>
<td>SEP 1912</td>
</tr>
<tr>
<td>OCT 1665</td>
</tr>
<tr>
<td>NOV 2498</td>
</tr>
<tr>
<td>DEC 3309</td>
</tr>
</tbody>
</table>

November was a strong month for the store sales wise; 89,500€ in sales was 7,400€ higher than the budgeted sales and 14,800€ higher than last year (table 2). This is mostly due to a massive 26.1% increase in customer stream and 6.5% increase in articles per receipt (table 3). However, the downward trend in sales per receipt continued in November with sales per receipt dropping by 9.2%, see table 3. While overall sales in No-
November were positive, there was an opportunity to capitalize on the major increase in the number of customers. If the sales per receipts was higher it could have covered up the deficiency in sales during September and October. With the same sales per receipt than last year, sales would have been 8,993€ higher.

**TABLE 4** Sales per receipt September-December

<table>
<thead>
<tr>
<th></th>
<th>Sales/ receipt</th>
<th>index sales/ receipt prev.</th>
<th>Variable sales/ receipt prev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEP</td>
<td>40.2</td>
<td>94.2</td>
<td>-2.5</td>
</tr>
<tr>
<td>OCT</td>
<td>40.4</td>
<td>86.8</td>
<td>-6.2</td>
</tr>
<tr>
<td>NOV</td>
<td>35.2</td>
<td>90.8</td>
<td>-3.6</td>
</tr>
<tr>
<td>DEC</td>
<td>38.4</td>
<td>90.3</td>
<td>-4.1</td>
</tr>
</tbody>
</table>

December is the busiest month of the four with almost the same amount of customers than both September and October combined. Christmas is the main driving force behind it with many customers looking for Christmas gifts and Christmas decorations. December’s sales were 8.5% higher than last year, however it was only 1% higher than planned sales during this period (table 2). As seen in table 3, there was a 6.2% increase in the amount of customers and a 2.9% increase in articles per receipt. Once again sales per receipt was lower than last year; in December it was 4.1€, 9.7% lower. In december there was a loss of 13,567€ due to the drop in sales per receipt.

Total sales during September-December were 1,200€ lower than the planned sales, which is not that far off, but when we take into consideration how much was lost during the months due to lower sales per receipt we can see how strong of a position the store could be in.

When we add the lost revenues due to the drop in sales per receipt together, we get a total loss of 37,663€. That would put sales 36,463€ higher than planned total sales of 344,200€, which would be over 10% higher than the target value for this period. This loss of revenue highlights the need for improvement in this area.

In table 5 we can see how different product area’s sale indexes compare to last year’s. Bed linen, mattresses and window products are all below last year, and out of these three bed linen and mattresses are a cause for concern since they are major product cat-
egories. Bed linen includes bed sheets, duvets and pillows, while mattresses include different types of mattresses and ready bed combinations. These products are sold for a higher price on average than many other groups and therefore each sale in these groups increases sales per receipt.

**TABLE 5 September-December product area sales indexes compared to last years**

<table>
<thead>
<tr>
<th></th>
<th>Bed Linen</th>
<th>Bathroom</th>
<th>Mattresses</th>
<th>Furniture</th>
<th>Hardware</th>
<th>Home textile</th>
<th>Window</th>
<th>Quilts &amp; pillows</th>
<th>Garden Furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEP</td>
<td>83,6</td>
<td>117,8</td>
<td>94,0</td>
<td>109,2</td>
<td>92,1</td>
<td>100,9</td>
<td>85,0</td>
<td>119,0</td>
<td>80,7</td>
</tr>
<tr>
<td>OCT</td>
<td>76,5</td>
<td>98,2</td>
<td>91,3</td>
<td>83,7</td>
<td>145,6</td>
<td>132,4</td>
<td>89,1</td>
<td>105,8</td>
<td>108,8</td>
</tr>
<tr>
<td>NOV</td>
<td>111,5</td>
<td>125,9</td>
<td>98,6</td>
<td>124,8</td>
<td>139,2</td>
<td>130,7</td>
<td>94,3</td>
<td>137,0</td>
<td>159,2</td>
</tr>
<tr>
<td>DEC</td>
<td>93,6</td>
<td>114,5</td>
<td>94,7</td>
<td>105,1</td>
<td>129,7</td>
<td>120,4</td>
<td>89,1</td>
<td>121,8</td>
<td>90,9</td>
</tr>
</tbody>
</table>

It is important to remember that these products have a longer lifespan than many other products and therefore need to be replaced more scarcely. When we consider that the city where the store is located only has 30,000 inhabitants, once you’ve sold a good mattress for each of them, they don’t need to buy a new one for many years. Home textiles and quilts and pillows are well above last years sale while other groups vary from month to month.

**3.3.1 Summarization of financial situation**

September-December period has seen the store enjoy significant growth in the amount of customers. In total 1002 more customers made a purchase in the store compared to last year and while this presented a great opportunity to exceed expectations set for these months, the store only managed sales just below what was planned. While the store is still close to budgeted sales there is cause for concern due to the fact that every month saw a drop in sales per receipt (table 4) which seriously hindered total sales. With the same sales per receipt than last year or even higher, store would have eclipsed budgeted sales which in turn would have created a buffer for remaining months, should the customer growth suddenly come to an end. If the customer growth would come to an end and sales per receipt still remain under last year’s, this would lead to a drastically decreasing revenue.
The sales per receipt was on average 4.1€ lower than last year, which is 6.1€ from where the regional manager wanted it to be, highlighting the need for improvement. From financial numbers alone we cannot find a reason for it; since as seen on table 3, only September saw a decrease in articles per receipt while it increased during other months. From table 5 it can be seen that while sales indexes of almost all product categories occasionally dropped below 100, only window, bed linen and mattresses were mostly on the negative side. Situation with bed linen and mattresses is concerning since bed linen products are often selected as a boost product which should increase their sales index and mattresses bring in great sales figures when sold.

In short first four months have been close to planned but there is concern that if the customer growth was to slow down, it would generate problems because sales per receipt is constantly lower than it was last year and over 6€ below planned.

3.4 Current sales process

To give an understanding of how a typical customer interaction goes, I give an example using a very typical situation in the store. In this scenario customer is coming to the store, looking for a new mattress. Juneja (MSG) explains that customer’s decision making process starts with a need, which works as a catalyst pushing the customer forward. In this case that need is to find a new mattress that enables a good night sleep. The need may have arisen for example from the old mattress wearing out or by moving to a new apartment where the old one doesn’t fit. Steps two and three of consumer decision making process are often done at home, before coming into the store by researching products and alternatives online or from other sources. Schiffman and Kanuk (2000, 438-439) explain that consumers have three levels of problem solving: extensive problem solving, limited problem solving and routinized response behaviour.

In extensive problem solving “consumers have no established criteria for evaluating the product category or specific brands” says Schiffman and Kanuk (2000, 438-439). This means that the consumers haven’t narrowed their options down, in this case they haven’t decided whether they want a spring mattress or a foam mattress. They require a great deal of information to establish their opinion. These customers require most time since they don’t have a clear picture of what kind of criteria the product should meet.
They are often unsure whether they are ready to make the purchase at that time and require selling skills from the salesperson to be persuaded to do business that time. In my experience these customers are the most common ones and are the hardest ones when it comes to closing the deal.

Limited problem solving means that the consumer has already established basic criteria for evaluating the product categories but require more information to establish a preference concerning a select group of products (Schiffman& Kanuk, 2000, 439). For example, the consumer has decided that he wants a spring mattress but doesn’t know how stiff the mattress should be and what type of springs would suit him personally. These customers require most expertise from the seller because they require technical information to be able to determine what product gives them the best value.

Routinized response behaviour means that “consumers already have some experience with the product category and a well-established set of criteria with which to evaluate the brands they are considering” (Schiffman & Kanuk, 2000, 439). These customers are the ones that usually have already owned a similar product and now are looking to buy a new similar product or upgrade to a better one. Customers that already know what kind of product they want are the quickest to help, since they have a clear idea of what they are looking for and only require specific information about the product and often base their criteria on the product that they have previously owned. A deal with these customers is the easiest one to close since they more often than not have already decided that they are going to buy something when they enter the store, and then it’s just a matter of finding the best suited option for them. These customers are often more easily persuaded into additional sales, such as new duvets and pillows when they buy a new mattress. These customers are usually loyal customers who come to this store when they have specific need.

When the customer enters the store he is greeted by saying: “welcome to ..., how may I be of assistance?”. This sentence is specifically structured this way so that the customer cannot simply reply with yes or no. This is to make sure that every customer gets personal service as soon as they enter the store. At this stage the customer explains that he is looking for a new mattress. Depending on the customer’s decision-making level, explained above, he may already have an idea of what he might want from the mattress. The customer is then asked questions about the current mattress he owns and whether it
has felt good, too firm or too soft. Based on that information customer is asked whether he would like a similar one to the old one or a different kind.

When presenting the customer with a product that matches their needs, employees are taught to start selling from a product that is a bit better and more expensive than what you think is best suited for the customer’s needs. This is done to showcase what extra features the customer would gain with the extra investment compared to the cheaper one. This is reminiscent to a social psychology experiment conducted by Cialdini (1975). In the experiment, people were first asked for a big favour and after that a smaller favour. People who had been asked a bigger favour first were more likely to agree to a smaller favour than the ones asked to do a small favour only (Helkama, Liebkind & Myllyniemi 1998, 207). In the business world this technique is called the door-in-the-face technique. The purpose for offering a more expensive option first is to make the customer feel that he is getting almost the same features than the more expensive one when buying a slightly cheaper model, which represents a good deal for the customer.

After a product that meets customer’s needs is found, starts the next important stage for the salesman. After the first sale is closed, the salesman tries to do additional sales, in the example scenario it usually means asking the customer when was last time they renewed their pillows and duvets, and then trying to sell a fitting options for them. One last opportunity for additional sales is at the checkout where there are several products on display including the months boost product. The boost product is a product decided by the country manager and it is sold for a great price, and the price usually lasts for a month. The boost product is usually a pillow or a duvet, but sometimes it is also a more seasonal product such as a cooling bag during the summer time. Employees are instructed to try to sell the boost product to every customer and success in it is measured and monitored by the regional manager.

One theory that is something that employees should know of is the foot-in-the-door technique. Foot-in-the-door technique was first researched by Jonathan Freedman and Scott Fraser in 1966, they conducted a social experiment in which the subjects were first asked to place a small sticker on their car to promote safe driving. Then they asked the same people to display a billboard with same message in their yard. They discovered that people who first agreed to a small favour were more likely to agree to a larger fa-
The foot-in-door technique has been used by salespersons through the years after its discovery, with them first trying to get the customer to buy a small item before moving onto more expensive products. It can be used to persuade unsure customers, if they are not completely sure that they want to commit to a big long-term purchase such as a mattress. The employee can move away from it, giving the customer time to think and giving himself another opportunity to close a sale, smaller one which in turn according to Freedman and Fraser’s (Patel, 2014) experiment increases their chances of closing out the bigger sale afterwards. Same technique can be used in the store’s layout. IKEA is prime example of this, when moving from the showroom to the area where products are sold; there is usually an area with several different products which all are low priced products. This is to incite the customers into making the first purchase decision already at the very start. This in-turn will increase the likelihood of future purchase decisions later on in the store.
4 RESEARCH

4.1 Exit-survey results

Exit-survey was conducted on December 3rd 2016 and was done by a third party person. Style of the survey is interview where the customers leaving the store are asked a few questions to measure four main categories: approach, personal service, percentage of successful sales and additional sales. These results show how successful the store is in these fields and also how it compares to the average of other stores in the country.

4.1.1 Approaching and personal service

Every customer should be approached when they entered the store and while this might not be as important as other parameters, it still shows that employees are well positioned in the store and are able to see when a customer enters the store. When the customer is approached entering the store, it gives the employee the opportunity to find out how to best serve the customer straight away potentially lowering time it takes to serve the customer.

TABLE 6 Approaching compared to country’s average

<table>
<thead>
<tr>
<th></th>
<th>December</th>
<th>Country’s average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer was approached</td>
<td>100%</td>
<td>65%</td>
</tr>
<tr>
<td>Customer approached</td>
<td>0%</td>
<td>19%</td>
</tr>
<tr>
<td>No approach</td>
<td>0%</td>
<td>16%</td>
</tr>
</tbody>
</table>

From table 6 above it can be seen that compared to the average in the country, approaching is really well done, and 100% of customers were approached when they entered the store. In the rest of the country 19% of customers had to approach the employee first and in 16% of cases there was no approach at all.

TABLE 7 Personal service compared to country’s average

<table>
<thead>
<tr>
<th></th>
<th>December</th>
<th>Country’s average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received personal service</td>
<td>100%</td>
<td>70%</td>
</tr>
</tbody>
</table>
Personal service means that an employee interacted with the customer to help him find a product that fits his need. Tables 6 and 7 showcase that the employee’s awareness is high and they are always ready to help customers with their needs and while not every interaction might lead to a sale, it increases the likelihood of it while also creating a better shopping experience for the customer.

4.1.2 Sale percentage and additional sales

Sale percentage shows what percentage of the customers that enter the store make a purchase, in other words it is the store’s conversion rate from customer to paying customer. Higher percentage means that the employees are constantly successful in closing sales. Sale percentage of 80% is the same as in the rest of the country and while employees did an excellent job in contacting every customer, 1/5 customer left the store without buying anything (table 8). 20% of customers didn't buy anything, meaning that in December there was roughly 3970 customers in total. With the sales per receipt of December we get a potential total sales of 152,479€. That is 43,078€ higher than sales actually were in December. That is of course hypothetical but gives an idea of what kind of an amount is potentially lost.

Additional sales are one of the most important ways of increasing sales per receipt. Let’s take for example a situation where a customer is buying a cheap duvet and a duvet cover to be used by visitors during Christmas. These products would cost 35€ which would be below the sales per receipt of December and the articles per receipt as seen in tables 3 and 4. However if they are sold a 20€ pillow as an additional sale it takes the total sale to 55€ which is over the sale per receipt of December. This quick example highlights importance of additional sales.

**TABLE 8 Rate of successful sales**

<table>
<thead>
<tr>
<th>Sale percentage</th>
<th>December</th>
<th>Country’s average</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>79%</td>
<td></td>
</tr>
</tbody>
</table>

When we look at additional sales it can be clearly seen that it is an area that needs improvement. Additional sales can be roughly divided into two categories: additional sales done in the store and additional sales done at the checkout. Additional sales in the store
mean additional sales done while or after closing a sale of the product originally sold to the customer, for example duvets and pillows sold for a customer buying a new mattress or bed sheets when buying duvets and pillows. Additional sales at the checkout means additional sales done while customer is already at the checkout, more often than not this means getting the customer to buy the boost product or other products on display at the checkout. The boost product is most important of these since it is instructed to be offered to every customer.

![Additional sales in store](image)

FIGURE 6 Additional sales in store

Figure 6 shows that only 35% of customers were offered additional sales in the store, which means that during the sales process only 35% of customers were made aware of products that could compliment their products or fulfil additional needs that they may not be aware of yet.

<table>
<thead>
<tr>
<th>TABLE 9 Additional sales compared to country’s average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December</strong></td>
</tr>
<tr>
<td>Additional sales in store</td>
</tr>
</tbody>
</table>

Out of those 35% of customers that were offered additional sales in store none bought these products, see table 10.
While the success rate of additional sales in the country is 29%, in this store it’s 0%. This can be down to many reasons, but it gives an indication that maybe there isn’t enough emphasis on pushing for additional sales and instead the employee is happy to just complete the sale they are currently working on.

Additional sales at the checkout were offered to more customers than in the store, with 45% of respondents answering that they got offered an additional product at the checkout, figure 7.

It is crucial that customers are offered an additional product at the checkout since 80% of customers are buying something already, and according to foot-in-the-door technique they should be more willing to buy something, if sold properly.

While more customers were offered additional sales at the checkout than in the store, success rate of those sales remained at 0%, table 11 below. This means that at the survey day, there wasn't single successful boost product sale or additional sales of any kind.

<table>
<thead>
<tr>
<th>Success rate of additional sales in store</th>
<th>December</th>
<th>Country’s average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>29%</td>
</tr>
</tbody>
</table>

FIGURE 7 Additional sales at checkout
Total lack of additional sales is rather strange, but very worrisome. There could be several factors affecting it, such as boost product being something that isn’t appealing to customers or they have bought similar product earlier already and therefore don’t see a need for it. Ultimately it is failure of a salesperson that none of the customer bought any additional products offered to them.

4.2 Customer questionnaire

The survey was conducted in March after I had had time to see what kind of information I needed for my thesis, something that was lacking from exit-survey and existing sales data. I had set a target of 40 responses to the questionnaire and after one day of asking customers to fill the survey at the checkout, 38 responses were given. Since it was really close to the target amount and is sufficient amount of responses to be properly analyzed, I didn’t see a need to collect more responses the next day. As discussed earlier in the thesis, my hypotheses for the survey was that there are two types of customers, customers that come to look for something specific and those who come to look around. I set the questionnaire to gather information that helps to analyze these customer type’s buying habits.

Question one was “have you conducted business with the company before”. Out of 38 respondents only 1 was a new customer, meaning that 97% of customers were returning customers, see figure 8 below. A returning customer is always good for business, since it means that they have found their last visit satisfying and are willing to do more business with the company. From the point of view of Schiffman's and Kanuk's three levels of consumer problem solving (2000, 438-439) returning customers usually belong to either limited problem solving or routinized response behaviour. Both of these require less information on the products therefore reducing time required for this part of sale process; however it is only applicable when the customer comes to buy a similar product, because when looking for a different type of product the customer might still need more information.
Question two “did you come to look for a specific product” shows that out of 38 respondents only 3 answered that they didn’t come looking for a specific thing. This result is completely opposite to my empirical experience on the matter. When I approached customers when they enter the store and asked if I could help them, or were they looking for anything specific, most of them answered that they didn’t come in looking for something specific. One possible explanation for this is that Finnish people feel uncomfortable when approached by someone instead of them approaching when they need help. Other possible explanation is that the customers have a general idea of what they want when they enter but need some time to look around before making up their mind. Whatever the reason may be, only 8% of customers didn’t come looking for specific product as seen from figure 9. Since 92% of customers belong in one group, data mainly shows the buying habits of that group. With there being such a vast difference between the results of the questionnaire and empirical experience, more research needs to be conducted before being able to determine what percentage of customers really come to the store looking for a specific product.
Question three “where did you learn about the company’s products and offers” is more of a background information for the company so that they get a better understanding of what form of advertising best reaches the customers. It was possible for a customer to choose multiple answers to this question.

Figure 10 shows that the most effective way of reaching customers is the advertisement magazine, with 24 out of 38 respondents saying it’s where they learned about the prod-
ucts and offers. Internet/social media and television ads were both answered by eight respondents making them tied for the second most effective way, while word of mouth was the way five respondents found about products and offers.

Question four “did you find what you were looking for or were you offered replacement product” shows how well the customers were served in relation to them finding what they were looking for.

Out of the 35 customers that came in store looking for specific product, 34 found what they were looking for and one customer got offered similar product after they didn’t find what they were looking for. Every customer that came looking for something specific had the opportunity to leave the store with the need fulfilled.

Question five “were you offered additional products” and question 6 “did you buy before mentioned products” were asked here so that I can see compare the situation to Decembers exit-survey results, to see if there is significant change in additional sales or if it stays at the same level from month to month. While the exit-survey had additional sales separated into in the store and at the checkout; this questionnaire combined the two so that it is easier to examine results.
When additional sales in the store and at the checkout percentages in the exit-survey are combined we got that 40% of customers were offered additional products. Figure 12 shows that in March 58% of customers got offered additional sales meaning that this time more than half of the customers were offered additional sales. While in December’s exit-survey none of the customers that got offered additional products bought them, from figure 13 we can see that this time 24% of customers who were offered additional products bought some. While it is an increase compared to December, it is still a low success rate.
Question seven “total number of products bought” and question eight “monetary value of products bought” show how many articles per receipt there was and what was total monetary value of those purchases. While the average articles per receipt during September-December period was 2.95, this time there were 18 receipts with fewer articles than three and 20 receipts with more than 3 articles, putting the total higher than three articles per receipt, see figure 14 below.

![Total number of products bought](image)

FIGURE 14 total number of products bought

Monetary value wasn’t asked with an open text column where the customer would fill the exact value, but instead question was a multiple choice where the customer chose the option with correct interval. This was done this way to help the customer fill the questionnaire since they didn’t have to check an exact amount from the receipt but could just choose the correct interval which is more easily remembered, saving them time.
Figure 15 above shows that 12 out of 38 respondents had an average purchase between 0 and 25€, meaning that at least twelve customer’s sales per receipt is lower than the target value. 17 out of 38 respondents had a sales per receipt higher than 50€ which means that almost half of the respondents spent more money than they did in December. This means that while there is still room for improvement, sales per receipt was higher in March than it was during the September-December period.

4.3 Analysis of the data

4.3.1 Level of customer service

The exit-survey showed that every customer was approached by an employee when entering the store and were given personal service when needed. Data from the questionnaire questions two and four, figures 9 and 11, show that every customer that came in the store looking for a specific product found the product or was offered a similar product. These results combined mean that the store has an excellent level of customer service, every customer getting the help they need to find a suitable product for them. Quality customer service goes a long way in making customers into loyal customers. During my time working there, I met a lot of people who came into the store on weekly basis. These loyal customers, as pointed out by Vesterinen (2014, 12), buy more and often with higher price, which is evident from experience as well.
4.3.2 Sales and additional sales

With a high sale percentage of 80% the store is doing great in turning potential customers into paying customers, this shows that employees are competent in closing deals. Problem is in additional sales; both surveys show that half of the customers got offered additional sales, which is way lower than it should be. Since the monthly boost product should be offered to everyone, the additional sales percentage should be 100% from that alone. There doesn’t seem to be enough emphasis on pushing for additional sales but instead it’s on moving on to next customer, which from my experience is somewhat true during busy hours. On average there are only two employees in the store and if there is a large number of customers in the store, there is only a limited amount of time to spend on each customer. This is however no excuse to not attempt additional sales altogether since it is one of the best ways of increasing sales per receipt. The success rate of additional sales was 0% in the exit-survey and 24% in the questionnaire. When we consider that roughly half of the customers that entered the store were offered additional sales and when both data sources are combined, the total success rate of additional sales is only 12%. There is room for significant improvement in this area, especially since it is a major reason behind low sales per receipt numbers. I noticed during my time there that most of the boost products were pillows, which in my opinion is not well planned. As 97% of customers were returning customers, there is a high possibility that most of them have been offered and possibly even bought a pillow, meaning that they don’t necessary need another one for a long time.
5 CONCLUSION AND SUGGESTIONS

5.1 Conclusion

Thesis was set to research company's key area, sales per receipt. There had been a decline in sales per receipt instead of intended growth and this thesis was designed to research reasons behind this and to find possible solutions for the problem. Research was done by analyzing the company's sales data, which gave numerical data on how the store performed and using data from the exit-survey. The exit-survey's data showed how well customers were approached and were they offered personal service. The exit-survey also showed what percentage of customers were paying customers and whether the customers were offered additional sales and whether they bought those offered products. To support the findings of the exit-survey I created a questionnaire for the customers to fill, which would give information on what type of customers come to the store and what their buying habits are.

The company had increased its sales when compared to last year, which was made possible by a 12% increase in the number of paying customers. However, the company’s first four months were 1,200€ below the budgeted sales while the number of customers increased during the September-December period. The main reason for the company not reaching higher sales was the decrease in sales per receipt. Every month saw the sales per receipt drop lower than it was the year before, while the regional manager had set the target sales per receipt to be 2€ higher than it was the year before. Also, three product categories: bed linen, mattresses and window performed below last year’s sales.

Analyzing the exit-survey’s data and the data from the questionnaire, showed that customer service is on a really high level and every customer got personal service and the help needed to find the product to fill their need. The data showed that most customers are returning customers and that 80% of customers that came into the store leave as paying customer. Both data sources revealed that the area requiring most work is offering and completing additional sales, only 46% of all customers were offered additional sales and out of those customers only 12% bought said products. Raising the success rate of additional sales of the store would go a long way in reaching the target sales per receipt value.
Objective of this thesis was to research the company's current situation and how to improve it by focusing on the personal selling process. I was able to properly analyze the current financial situation and find areas that require improvement. The answers to the questionnaire showed that, on the contrary of what I expected, most customers came to the store to look for something specific. Since the sample size for customers who didn't was only 3 it is not possible to analyze that customer group properly since there weren't any clear patterns. Further research is required in order to gain more knowledge on that customer group. I was able to break the personal selling process apart and see what areas are working and which require improvement. All in all, this thesis met the goals that were determined beforehand and its findings can be used by the commissioner to improve their sales per receipt in future.

5.2 Suggestions

I break my suggestion for company into two areas: how to improve the employee’s skills and how to improve the store’s layout.

5.2.1 Improving employee’s skills

To increase the sales per receipt the employees should focus on increasing additional sales, since there seems to be a lack of emphasis on pushing those deals. The success rate of 12% on additional sales shows that there is a lot of room for improvement. Employees should focus on the boost product because the success rate of those sales can be monitored easily and it should be easier to sell, since it is often really well priced.

Employees could study theories presented in this thesis, understanding these theories help employees to better analyze customers and recognize what information they need and how to best sell to them. Employees could familiarize themselves with foot-in-the-door and door-in-the-face techniques since they can be used in sales situations to improve the chance of reaching a desired outcome.

5.2.2 Changes in store layout

Same foot-in-the-door principle can be used in the store layout, same way that IKEA for example uses it. Place products that are cheap, but desirable or products that are heavily discounted near the store entrance so that the customers encounter these products when
they enter the store. If the customer makes the first purchase decision there already, they are more likely to buy more. The checkout should have at least a few different boost products, so that there are more options to choose the best additional sales product for each customer.
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