Importance of merchandising in affecting retail sales, case of medo-flor

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ABSTRACT

The necessity for this research can be explained by the importance of understanding the interaction between the technical, strategic, and behavioral factors that have been studied and the factors which reflect the merchandising decisions for improving the ambience of the store. Managers of retail stores are continually trying to plan create and control the physical structure of an store but often the impact of a particular effort does not fully satisfy them. The purpose of this study is to investigate the effects of merchandising on retail stores.

This study was conducted in Prishtina at Medo-Flor Company. This research consists of a case study in which the sample is restricted to the story of a single organization. The empirical part of this study was conducted in January 2013 which consists the data for the years of 2010, 2011 and 2012. Data for this study/research were gathered through the help of among marketing department of the Medo-Flor Company.

On the basis of the results of this research, it can be concluded that the various research studies of behavior in commercial environments suggest that the store atmosphere has a positive influence on consumers. This research indicates the income effect and decision making effect on consumer’s choice.
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1. INTRODUCTION

A company can be viewed as a coalition of people who work in different constituencies or (areas of specialization) who share some common goals. These areas of specializations are separated into two groups internal and external (Kunz, 2005). The research consists of talking more about internal constituencies which are: executive management, merchandising, marketing, operations, finance and quick response. From these six areas, marketing and merchandising are two areas that are more relevant to this thesis.

The first area, marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Philip Kotler, 2000). The aim of marketing is to know the costumer so that product fits and sells itself to him; there are some environmental conditions that are necessary for marketing:

1. Production improvement of production process to minimize costs and price).
2. Product quality improvement.
3. Selling: The aim is to sell what companies make not what market wants.
4. Marketing approach is to develop proper products and convince customers in its necessity.
5. Socio-ethical marketing approach. task to determine needs and wants

Secondly, the other constituency or area of specialization is Merchandising Constituency which differs from marketing in many aspects such as merchandising works with the product on a retail level, merchandising is how a product is displayed in a retail market, including signage, shelf space and placement, end caps, displays, planned promotions, etc. Merchandising is the activity of promoting the sale of goods at retail markets. Merchandising activities may include display techniques, free samples, on-the-spot demonstration, pricing, shelf talkers, special offers, and other point-of-sale methods (Kunz, 2005). According to American Marketing Association, merchandising encompasses "planning involved in marketing the right merchandise or service at the right place, at the right time, in the right quantities, and at the right price."
Merchandising is an Anglo-Saxon word composed of merchandise, which means goods and the ending-ing, which means action according to (Johnson 1993) or micro-marketing is the marketing which aims to increase profitability at the point of sale. These activities stimulate the purchase at the point of sale. Moreover, the set of studies and business skills that allows you to present your product or service in the best conditions, both physical and psychological, to the final consumer. In contrast to the passive presentation, is made an active presentation of the product or service using a wide variety of mechanisms that make it more attractive: placement, layout etc.

The merchandise includes all activity in a retail outlet, which aims to reaffirm or change the purchasing behavior in favor of more profitable items for the facility. The basic objectives of merchandising are: attention, directing the customer to the product, facilitating the purchase action according to (Kunz, 2005).

1.1 Background

The appearance of merchandising activities in money-making establishments is bound to revolutionize the traditional trade in free trade in service. However, merchandising techniques can be useful in traditional retail tobacconists and haberdashers. With the appearance of department stores and supermarkets, there was an important change in the conditions of sale as for example, products were made available to the customers in many different ways by eliminating the classic counter and the clerk which small types of stores. Another important change of condition with the appearance of merchandising is the sellers merely act as consultants their participation was smaller which would generalize freedom of buying and selling not only product but also services. With the introduction of merchandising mostly the activities of selling were carried to the point of sale, this aims to confirm and change the buying behavior.

The American Marketing Association (AMA2000), in its dictionary notes that merchandising word has two meanings: first one refers to the promotional activities that manufacturers make in stores, such as specific exhibitors for their articles, and the second one refers to identifying the management and decision making by retailers regarding a line article. (Edukalife, 2013).
While manufacturer sells quiet small variety group of products on the contrary the dealer sells a relatively high variety of products which leads to more choices for buyers. Merchandising implementation differs from manufacturer to distributor or dealer because manufacturer when designing the product has in mind a large market or potential market which could also be global. On the other hand distributors are mostly oriented in their area of influence which is smaller market than the manufacturers (Edukalife, 2013). Merchandising of the manufacturer tries to achieve an adequate presence of their products in the point of sale. Their merchandising objectives are focused on achieving the attraction of new clients and buyers while creating an environment that can sell their goods and services. Merchandising of a distributor is oriented not only in selling goods and services but also seeking to optimize the profitability of their area of sale (Edukalife, 2013).

1.2 Problem Discussion

There are different ways in order to get the goods sold by also implying different techniques that are used to attract the consumers. In addition to that, consumers are influenced by the areas of high turnover exhibit, as the entrance to the store or corridors leading to upper floors, where guests have to go to the input and output when it comes to their buying decision. Goods sold are those that demand at a given time have great attraction and the consumer is in search, display being due in from the entrance area and a small circulation, to avoid crowds of customers that hinder the smooth running of the store or department and make better use of areas of poor circulation, it also helps the consumer in its tracks, you can see items you need and get those sales (Burks, 2005). Furthermore, small companies tend to use a technique which allows them to put their goods next to products that have high turnover, in order to generate more sales.

If its normal goods should be placed in central areas or those where there is a moderate movement. In the case of multi-store shops, it is considered that on the main floor are located departments that their goods meet sales motivation (Burks, 2005).

All the goods should not be given the same treatment in terms of space is concerned. If there is a large volume of merchandise for sale, is required to devote a good exhibit space to avoid is not sold or to be working constantly. Likewise, should be afforded the necessary space for goods in which there are large stocks or those that are affected by fashion and season.
Another problem is the correct display of the goods (shape and location) in the areas of self, being necessary to place vertically or similar goods, which are differentiated by their sizes, capacities, brands with the objective to observe the wide offer, without having to travel many gondolas client.

One aspect that must be considered in the placement of goods on the shelves of the shelf, is the preference you want to give, and sitting on the shelves that are at the fingertips of customers which you can observe without effort. Mentioned above, this is known as "hot area." Naturally, the other panels that make up the "cold area" are to be used to place those goods of interest, which the customer is always going to look wherever they are.

The placement of the commodity known as "block", consists of placing the goods of a single type or a vertical code in all panels of the gondola. It is used in high-demand goods or those with large stocks and need to promote their sale. Another type of placement on the shelves is the famous "vertical line", which are located vertically in stock different brands of a given product in the different panels that form, the customer can appreciate the variety of brands (Burks, 2005).

As a last aspect of merchandising, is the “Interior Decoration”, which is a very necessary work tool in merchandising tasks that every salesperson should develop in their work. The exhibit must be so suggestive, given the habits of customers, so that the products come to life, are suggestive, attractive and sales may be developed at an increasing rate.

1.3 Overall Purpose

Merchandise presentation is one of the key elements for increasing sales for companies. Merchandise presentation is affiliated with merchandise visual display which is the last presentation of the product. The essential part of merchandise presentation is to increase sales by offering the product to the consumers in a designed environment which naturally would affect the costumer’s behavior towards the product. The presentation includes persuasive visualization of the line, further than the presenter makes the lines in terms of want and needs of the target market, market position and the process of competition (Kunz, 2005).

A key part to have a successful presentation is when designers and merchandisers educate the sales person to present the lines the way they want to. Retail companies have different views
of how to increase sales here are some ways the intend to: Increase in volume of product, placing signs to tell where the product is placed, new designs, some believe best-selling brand should have more space in market, retailers should clean leftovers products (this one is mostly used in clothing stores and when they say to clean leftovers they mean because of the new trends always emerging), another strategy is to offer new products as often as possible and the one that maybe costs more but is essential for the business is educating sales person which would make increase in sales naturally. Merchandise presentation is placed in environments that are tricked to provide greedy impression. There are two kinds of environments: Utilitarian benefits which include comfort, quality, status, efficiency and value. Moreover, aesthetic benefits include spiritual pleasure, beauty, emotion and identity (Kunz, 2005).

According to human behavior researchers 80% of all people who enter in the stores move to the right side and this are because of the brain orientation. Retailers must use this costumer behavior to maximize sales. The store design is very important for retailers that are why they should focus more on the design which should contain the control zone, focus, the right direction, fixtures, service areas, promotion place, and resources. The control zone is the entrance of the store which makes the costumer go in or go out again so retailers must make enough space, avoid crowded products on the way in these are some points that help the control zone. Focus is the merchandise you want the costumer to see first, with the help of lights and designs it could be seen first but retailers must change that product frequently. Fixtures: using the right fixture increase in sales some ways to do that is to make presentations of product in many ways to put graphics to it so that you can get in touch with costumer’s image and his or hers senses (Kunz, 2005).

Service areas which include cashier, dressing rooms in some stores, information places, back corners all of these places should be placed in the way that the make a circular traffic in store so people move all over the store which would make the costumers see most of your merchandise. Promotion places in the store should be placed in the way that where similar products are placed near to each other so the costumer can relate them it mostly includes the opportunity retailers give to costumers to view the promoted merchandise. Resources are to capture costumer’s attention with the display in creative way give enough room as mentioned earlier and using the store the best way possible this is key for retailers to learn on the contrary sales will not increase (Kunz, 2005).
The purpose of merchandise presentation and all the other systems that are in merchandising presentation is increase in sales that will help increase success of the companies. One of these is Quick response (QR) replenishment system which is a method of planning and placing orders, handling shipping, distributing and also displaying the product at the shortest possible edge time. Merchandising replenishment model goes like this first it the Initial Order: this is an order of merchandise that is decent and meets the sales until the reorder is placed. Order processing is tracing the order and checking costumer’s credit, packing invoicing and every step till fulfillment of order. Make to order is called the production of merchandise after having received the order (seasonal goods are made to order). Distribution is the process of receiving, sorting, allocating, picking, and shipping the product. Distribution companies these days make the sorting and picking of products then it goes to retailers. For retailers receiving is when they get the product from the distributing companies and then the product in the store area. (Grace I Kunz, 2005).

Displaying is the process of preparing the product and making it available to be bought, displaying takes place in floors of store or in storage rooms it depends on the type of stores. Selling is the fulfillment of the process which is changing the owner from retail store to costumer and it is a delicate process that all the time companies are investing to have this step as easy as possible. These two questions will be explored during throughout this research.

**RQ1** - *how does the merchandising affect the retail sales?*

**RQ2** - *what merchandising elements are more efficient?*
2. LITERATURE REVIEW

Summarized description of literature review consists some of the books and researches from the topics which are connected with the concepts and theories mentioned in the thesis. Some of the topics are the essential guides for the conceptual framework of the research.

2.1 WHAT DOES MERCHANDISING MEAN?

The term "merchandising" is the result of combining the noun "merchandise", meaning "good" and the radical "ing", which expresses the action, ie, an action which puts the power of the consumer product therefore we can define the "merchandising" saying: "The set of techniques to make products available to consumers, earning a return on the investment made in the establishment." Means that whenever there is retail in order to obtain certain benefits, there is "merchandising". “Merchandising is planning, developing and presenting product lines for identified target markets with regards to pricing, assorting, styling, and timing” (Kunz, 2005).

Influencing merchandise means to sell more at less cost. All the techniques of “merchandising” are based on psychology and makes the visitor becomes a client. The presentation of visual merchandising falls into two categories mainly which are exterior and interior.

According to (Segel, 2012) the exterior presentation is the excellence of the store front which is a high determinant for customers and also for new customers. The exterior appearance of the market wordlessly announces what customers can expect inside the store. A good exterior visual merchandising creates interest and attention and invites customers into market place. Exterior presentation contains some sub categories which are exterior signs, banners, window display, and landscaping. A sign is like a salesperson and first impression of the shop, and in less than ten seconds the sign must draw attention and tell what the business intends to sell. Simple, well designed and easy to read signs will show a feeling of welcome. The sign of the store creates an image that is carried during the existence of the store. Banners are used for an easy eye catching means of promotion however stores should not over use them. Window display is information link to potential costumer, they create interest and there is less than 11 seconds to do
this because this is average time people use to look in window display. Landscape should guide customer’s eye to focal point which is the sign or the building while using color and texture to provide harmony (Segel, 2012).

Interior presentation according to (Segel 2012) is the selling space of the store it is the most important part of the store and therefore it needs work to use every square foot of it so it helps increase in sales. Some goals of the store are making customer spend money, protect image and keep low costs. Interior presentation contains some sub factors which are color, lighting, props and fixtures. Color and lighting provide significantly impression of the appearance to costumers. Color of the store catches and eye and makes people to pause and look because of emotional response to colors. Different color different response for example blue color makes the room seem cooler and customers are more relaxed, green makes time seem passing quickly, red excites and stimulates, yellow draws attention, orange friendly etc. Lighting is also one of the essentials in drawing attention to goods because customer’s eye goes directly to brightest area or item. Lighting can also be used as pathfinder that makes customers see different display along the way. Prop and fixtures are last factors of interior presentation and they are also integral part of visual merchandising. A prop is something that is not for sale for example: shelves, steps, backgrounds, walls, floor covers etc. These props mostly highlight the merchandise not themselves in order for merchandise to be sold (Segel, 2012).

If these elements are combined properly, the message is clear and noticeable, if at hand, each element conveys different feelings, the message is incomprehensible. The societies, like every day to care for their image and feel flattered, regardless of income levels. If you are able to show a proper atmosphere, which flatters the ego of the client, will be achieved fidelity to the establishment, a phenomenon that, like almost everyone knows, has no cost.

2.2 HOW TO SERVE MERCHANDISING?

To continue arguing and influence the public consistently but he is present or that the seller does not exist. The current social circles of middle and upper level, more and more like independence and freedom to purchase and especially at the time of the purchase decision. The businesses of tomorrow are likely to replace the sales by the visual verbal argument. A good plan
of "merchandising" allows the product itself is presented and provide better customer. It can be said that the "merchandising" is to sell more directly (Edukalife, 2013).

2.3 WHERE TO APPLY MERCHANDISING?

Traditional and popular always associated the "merchandise" with the product in relation to linear. It is also often applied to the sales area. Few technical, especially theorists, who know the real needs of trade, as there is a big difference between books and daily life, but generically we can say that the "merchandising" can be applied to each inside corner and outside the establishment, in every space where the eye reaches the customer. In the graphic, color, value of the area, location of doors and corridors, location of departments or product group, product display, exhibits and decorations, product presentation, treatment of the public, rest areas, levels sales, business cards, letters, printed promotional product labels, etc..., you have to psych that everything has value and must be profitable (Segel, 2012).

2.4 SHOULD COMPANIES ALWAYS APPLY MERCHANDISING?

According to (Segel, 2012) one of the merchandising objectives is aspiring to catch the attention of costumers to market place in order to sell more goods. It is presented to costumer through exterior and interior presentations. The evolution from the costumer’s point of view starts through exterior and interior work done in the store. To sum up this visual merchandising helps in creating an image of the store in the minds of costumers, apart from this merchandising is also known as a great tool in shaping final decision in buying in the store. Unfortunately this is mainly done in shops of a certain age, but it is also unfortunate that the owners take long time to learn about the subject, often lack of interest. The trade that has or lacks personality, will depend largely on whether to apply or not an adequate marketing plan, vocabulary, presence of the seller, mood lighting, seating area, and surround sound system, and decorative elements (Segel, 2012).

2.5 FACTORS AFFECTING THE FUNCTION OF BUYING

In every case of retail stores the most essential activities include buying of product and reselling it to the consumer. In small stores this process is done by the owner, this process has a positive impact on sales because of better understanding of the needs and wants of the costumers. The role of the owner in small retail stores is to coordinate the purchasing a range of products for the store, making orders, handling some special orders, decision making for pricing the
merchandise, planning promotion and various activities in store presentation of product, and contacting costumers and doing the role of sales person. As the store grows the owner encourages departmentalization so that the duties of the retail store are handled efficiently.

The merchandiser in the retail chain store needs to be a specialist to handle his duties because retail chain has more than one area and has a different consumer market. The merchandiser of these kinds of stores has to be more careful to know the needs of the market if not it could lead to a overbuying or under-buying both affect profitability of the product and profitability of the store (Pradhan, 2010).

2.6 ROLE OF PRODUCT MANAGEMENT

Product management is a part of an continuing tactical management process, and also is one of the key factors that gives the business an ability to meet its long term objectives .As mentioned above a small retailer is in best position to know the wants and needs of his costumers and the change of desires over time because of his contact with them or because of information systems based on point of sale. According to (Varley, 2006) the product assortment and the environment in which the product is presented give an advantage to retail store over those who produce the goods, now they are relying in retailer’s master crafts. In contrast to general retailer, there are retailers who offer a product mixture which is restricted to a smaller number of product categories but they give a larger choice within those categories that they offer. This type of retailer is known as specialty retail. The dominance of powerful worldwide retailers suggests that the generalist approach in retail is more successful approach in retail. By offering large product choice, the needs of many more people can be met, the supermarket is a name used to refer this discussion because they have had success in rising retail economies (Varley, 2006).

2.7 PRICE POSITIONNING

Product variety is probably most important factor in retailers merchandising strategy, but the price level of product is probably second most important factor for retailer’s strategy. Retailers use price together with the merchandise quality, costumer’s service quality, and store environment to make a declaration about where products belong in the market. Some retailers charge high prices and get added value on their services in the store, and others keep low prices and have minimal service on their store environment. Some retailers use branding and category definition to pitch product ranges into groups, according to the costumer’s ability to pay.
Therefore pricing is an effective tool to use in order to create a positioning merchandising strategy (Varley, 2006).

2.7.1 MERCHANDISING PHILOSOPHY

A retailer influences his merchandising philosophy in which the retailer’s target market reflects on it, and also the retailer does the customer segmentation by influencing his merchandising philosophy. The merchandising philosophy helps the retailer to produce a better merchandising function by defining the duties and responsibilities of his staff or crew which would enable smooth function of merchandising department. Smooth function of merchandising requires a basic understanding of the customer and the retail-buying environment. After determining the sales target, the merchandising manager needs to ensure that he or she is able to procure the merchandise in the right amount, at the right price, and the right time (Pradhan, 2010).

2.8 BUYING METHODS

The methods of buying in a retail store depend on its store structure and the products retailed. Methods of buying can be classified as cooperative, centralized, decentralized, committee, and resident office.

According to (Pradhan, 2010) Cooperative buying has two ways of functioning Voluntary chain and Cooperative chain.

- Voluntary chain is when the wholesalers buy store fronts and promotional aids from retailers or in other words retailer consults the wholesaler for merchandising.

- Cooperative chain is the opposite of voluntary which means the retailer organizes themselves. But the objective is the same making advantages through purchase.

- Centralized and Decentralized Buying; buying in a large multi store is called centralized or decentralized. Decentralized buying occurs when each store makes its own merchandising decision whereas centralized is when the central buying office makes the same decision for each store.
Buying Committee is when a buyer and a sales representative or a merchandising manager compromise with each other. The buyer makes recommendations to the committee about the merits of products that they offer.

Resident buying offices is when retailers use services of international buying offices, for example The American Marketing Association is an office which is used by many retailers in the same line of business (Pradhan, 2010).

2.9 MERCHANDISING CLASSES

There are many different types of merchandising classes. Not every company can implement all merchandising classes because of their variety. Some companies do only a mixture of them to get the best performance of the store. These types of merchandising classes are called Routine Light Merchandising Tasks.

Stickering: This means when sales person or merchandising person puts coupons, rabate stickers, or information stickers on the products.

Placing POP Materials: The action of placing advertising materials in the market, (e.g., channel strips, shelf talkers, wobblers, premium pads, etc) is called placing POP materials.

Face Out: Face out is when goods in the shelves are facing in the direction of the costumer, with the brand logo or name facing out. (Adkins-Spears, 2011)

Packing-out Product: Packing-out product is the process of filling the shelf’s to their capacity, so when you see a sales person in the store filling the shelf’s he or she is doing Packing-out product. Auditing: One of the easiest merchandising tasks is auditing, because the person who does the auditing in the store has to verify the amount, availability, or pricing of the products in the store and in the stockroom. Ensuring Shelf Integrity: Every store has its own plan or a system of shelf’s and to ensure that they are in correct way or plan that is called Ensuring Shelf Integrity. Zoning Product: Keeping goods in their place or zone where they belong or removing the ones which are not in their place this process is called zoning product. Rotating Product: The action of putting old products in front of the new ones in order to sell them faster because some products have expire date, that is called rotating product. Retagging Product: Updating the shelves with the action of changing their labels or display is retagging product. Taking Inventory: Physically counting merchandise in the store in order to make sure and check the amount of items are located in the store. Sometimes you see persons in
store counting with some technological tools which look like guns, this action is taking inventory (Adkins-Spears, 2011).

Pulling Product: Products that no longer can be sold in the store because of many reasons as e.g. (expire date, destroyed, or not wanted from the costumers anymore) are pulled out ore removed from the store. Cross Merchandising: The process of displaying some products alongside some related items, this is cross merchandising. Load and Label: Loading shelves with products and placing matching store tags or labels for that product is called load and label. Pull and Plug: Replacing old products with new ones in the store is called pull and plug. Returning Product: Returning products to wholesaler, because it may be damaged has expired date, or is no longer accepted by the store is called returning product. Cutting-in new product: Placing new items on an existing display or shelf’s by removing old ones. Building Floor Displays: Making a free stand display that is located in the sales floor for the merchandise in the store, most of items that are located in these stands are high quantity products this action is called building floor display. These are some of merchandising classes (Adkins-Spears, 2011).

2.10 Global Sourcing
Global sourcing means to determine the best possible product so that it can be sold around the world. Going worldwide or global for every company means expending the capacity in every way from investments to production, when going worldwide you have a larger target market you have more sales and you get more incomes but doing it is not that easy there are some processes that companies have to gain in order to succeed in word. According to (Kunz, 2005) companies that tend to go global give much importance to an individual who will organize this process that individual should be a high level person who can put to the table his global sourcing vision and is responsible for its overall success. When you have to deal with 100 or more different countries and mentalities he needs to recruit team members that have high skills to present and propose, he allocates budget to specific projects, helps teams establish improvement targets, meets weekly with project teams and looks for ways to continuously improve the global sourcing process, these companies that have high knowledge to global sourcing can easily leave their competitors behind. A concrete global sourcing process also helps over through many differences that exist among locations such as law and culture, business
culture thereby coordinating participants around the world with the wider corporate interests (Kunz, 2005).

The Sourcing Process begins with the contact of two companies, the export and the import company. Moreover, the export company provides merchandise planning also product development as well as sourcing the product. Most of the exporting companies hire a person native person in the country they export so that it becomes easier for them to work. In order of succeeding this person that is hired from the company must have an authority to translate global vision to reality and can make presentations to comities or directors this would be a good beginning of global selling (Kunz, 2005).

Full package sourcing is the second step needed to do business globally, it means that the contractor gives perfect samples in order to make contract locally also in full package sourcing the contractor makes production and quota reservations in advance so that he has the product on time. In this process they work together the exporting company and the contractor for making project and putting the global perspective rather than local. Preparing for production is the part when exporting company prepare specialized package which include special findings about size, pattern check quality inspection, labeling, ticketing and everything else. Exporting company makes the entire test necessary for having special merchandise so that it is liked globally. Customs is a part where the merchandise has arrived at customs where the authorities examine the origin and quality and many other things, the laws differ in every country so the company must be very careful about the laws of customs so inspections can take from days to weeks so after this step the goods are ready to be sold (Kunz, 2005).

Last part is reducing cost as much as possible, reducing cost is not an easy task but an worldwide company has capability of doing it because if one person can’t do it they can hire another one so it’s not that hard for a company that really is wanting to succeed in global business. Currently more progressed companies calculate the impact that global sourcing savings have on measures that capture the attention of executive leaders, such as return on assets. These companies also show how savings from global sourcing agreements affect the financial performance indicators at individual sites. This helps create good process from site locations, which is a critical success factor. If the global company is managed carefully and continuously in the processes that are necessary for going global they will provide solid benefits. Sourcing
leaders should develop fast globally rather locally because the pressure from competitors is relentless (Kunz, 2005).
3. METHODOLOGY

This research assesses the effect of merchandise space allocation on retail sales. The research approach was made by using qualitative data gathering or primary data. Research strategy is a case study at the Company of Medo-Flor.

3.1 Qualitative approach

Qualitative approach according to (James, 1997) is a standard expression for an investigative method or described as a participant observer research. It highlights the importance of looking at gathered data in natural setting in which they are found. Comprehensive data is gathered through an interview with open ended question to provide references from the interviewer.

According to (James, 1997) the purpose of qualitative approach is to find an understanding to peoples interpretations. The Data gathered during the investigation are perceptions of people in the situation, and the human person is primary collection tool. The point of view is what people really perceive from the research and the values of the research will have in impact on readers view and the results of a qualitative research will focus on design to get “real,” “rich,” and “deep” data (James, 1997).

According to (James, 1997) a Qualitative Research focus is based on quality of its essence. The goal of its investigation is to get an understanding of the hypothesis that is generated, the sample of an qualitative research is small, non-random, hypothetical and the characteristics of its design are that it’s flexible, growing and emergent.

The data collected in a Qualitative Research is done basically from the researcher as its primary instrument is to interview and observe. The analysis type is an inductive research and its findings are holistic, complete and open (Stapleton, 2008).

3.2 Case study

Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous
research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 2013).

Case study is a research methodology used more in social science, and it is used to inspect individuals, groups, or events. For this research case study was chosen to be the strategy for finding and analyzing how merchandizing affects in a business. A case study is most often used in exploratory and explanatory studies research with the ability to answer the question “why” as well as “what” and “how”. Quantitative and qualitative techniques can be applied for data collection in case study (McLeod, 2008).

3.3 Profile of case study Company

The name of the case study company is N.T.P. “Medo-Flor” and the type of business is Personal Business Enterprise. The company is registered with fiscal figure of 70418035 and its foundation date is 16 / 03 / 2007 (D/M/Y). The number of employees that work in Medo-Flor is four; two of them work in sales, one in marketing department and one in accounting division. Medo-Flor is located in Prishtina and its address is Magj. Prishtine-ferizaj, Zona Industriale Prishtinë and its phone number is 0037744130984. The Activities that Medo-Flor operates are: Wholesale of food commodities, Wholesale of coffee and tea, Wholesale of products such as eggs, edible oil and fats, Retail sale of fish, crustaceans and molluscus, and Wholesale of pharmaceutical goods. Medo-Flor’s focus is mostly in wholesale of honey, bee products and also fish oil also known as Omega3 vitamin, the company does the distribution of these goods in pharmacies and markets around Kosovo.

3.4 Case study steps

This case study research is composed by using five steps as underlined:

Determine and define the research questions:
• Select the cases and determine data gathering and analysis techniques
• Collect data in the field
• Evaluate and analyze the data
• Prepare the report

3.4.1 Step 1. Determine and Define the Research Questions

The first step in this case study research is establishing a firm research focus that can refer over the course of study of a complex phenomenon or object. At all cases, the researcher establishes the focus of the study by forming questions about the situation or problem to be studied and determining a purpose for the study. The case study object was investigated in depth while using a variety of data gathering methods to produce evidence that leads to understanding of the case and answers the research questions.

Case study research answers one question which begins with

RQ1"how the merchandising affect the sales in retails"

RQ2“what are the most efficient elements of merchandising.

3.4.2 Step 2. Select the Case and Determine Data Gathering and Techniques

During the design phase of case study research, it is determined what kind of approaches to use in selecting single case to examine in depth and which instruments and data gathering approaches to use.

The research determined whether to study cases which are unique in some way or cases which are considered typical and may also select cases to represent a variety of geographic regions, size parameters, or other parameters (Yin, 2013). The case used in this research is an unique case, considering the market in Kosovo as a parameter. A useful step in the selection process was to repeatedly refer back to the purpose of the study in order to focus attention on where to look for cases and evidence that will satisfy the purpose of the study and answer the research question posed as above.
A key strength of the case study method involves using one source and techniques in the
data gathering process. Data gathered is normally largely qualitative, but it may also be
quantitative. Tools to collect data can include surveys, interviews, documentation review,
observeration, and even the collection of physical artifacts (McLeod, 2008). In addition to that,
most of the techniques were used by using the reports of Medo-Flor.

Designated data gathering tools were used systematically and properly in collecting the
evidence. Throughout the design phase, study is well constructed to ensure construct validity,
internal validity, external validity, and reliability. Construct validity requires using the correct
measures for the concepts being studied. Internal validity (especially important with explanatory
or causal studies) demonstrates that certain conditions lead to other conditions and requires the
use of multiple pieces of evidence from multiple sources to uncover convergent lines of inquiry.
Techniques such as cross-case examination and within-case examination along with literature
review help ensure external validity. Reliability refers to the stability, accuracy, and precision of
measurement (Soy, 2006).

3.4.3 Data Triangulation

First of all, there are different kinds of triangulation which are used for establishing the
validity of qualitative studies and research. Data triangulation is a method which uses different
sources of information in order to increase the validity of a research. Furthermore, the reason
why researchers implement data triangulation is because is popular and also the easiest to
implement. In addition to that it also gathers different sources and information rather than using
single observers. The researcher used data triangulation which focused on all the stakeholders of
the company used for the case study involving the sales, marketing, administration and the top
level management, in order to gather the most beneficial information. Specific techniques
include placing information into arrays; creating matrices of categories, creating flow charts or
other displays, and tabulating frequency of events are used. In this research, the quantitative data
that has been collected are used to corroborate and support the qualitative data which is most
useful for understanding the rationale or theory underlying relationships (Soy, 2006).
3.4.4 Step 3. Collected Data in the Field

In general the researcher must collect and store multiple sources of evidence comprehensively and systematically, in formats that can be referenced and sorted so that converging lines of inquiry and patterns can be uncovered. Researchers carefully observe the object of the case study and identify causal factors associated with the observed phenomenon. Renegotiation of arrangements with the objects of the study or addition of questions to interviews may be necessary as the study progresses. Case study research is flexible, but when changes are made, they are documented systematically (Soy, 2006).

Exemplary case study of Medo-Flor Company use field notes and databases to categorize and reference data so that it is readily available for subsequent reinterpretation. Field notes record feelings, pose questions, and document the work in progress. They record sales, stories, and illustrations which can be used in later reports. Field notes are kept separate from the data being collected and stored for analysis. According to (Soy, 2006) maintaining the relationship between the issue and the evidence is mandatory. Some data were added into database and also physically stored, but the document classifiers, and cross-references are evidence that can be efficiently recalled for sorting and examination over the course of the study.

3.4.5 Step 4. Evaluate and Analyze the Data

In this research, raw data is examined by using many interpretations in order to find linkages between the research object and the outcomes with reference to the original research questions. Throughout the evaluation and analysis process, the research remains open to new opportunities and insights. The case study method, with its use of data collection methods and analysis techniques, provides opportunities to triangulate data in order to strengthen the research findings and conclusions. Cause of this, a categorization and reformation of data was done to address the initial propositions or purpose of the study, and conduct cross-checks of facts and discrepancies in accounts. Focused, short repeated interviews may be necessary to gather additional data to verify key observations or check a fact (Soy, 2006).
4. RESEARCH ANALYSIS

The report is the last step of a case study. Based on the data that are presented below and analysis described for each step of the case study, MEDO-FLOR has increased marketing budget every year which has resulted with increasing on sales. That is an impact of merchandising on retail sales. MEDO-FLOR increased its sales parallel associated with the marketing expenditure as well. During the year 2010, 2011 and 2012 company changed the range of marketing efforts from spacing to promotional and advertising in the place of sale. These three lines of expenses: spacing, promotion, and place of space are the highest expenses in the list of key elements of merchandising system (Soy, 2006).

From the question asked by the researcher for the staff of Medo-Flor the list underlined below is determined what data gathering was used. The question was asked towards Medo-Flor staff.

Q1: How does your financial plan look like during the last three years and which is the component that is changed the most during these years?

The staff of medo-flor showed that sales during year 2010 were 245,230, during 2011 sales increased to 30% 294,276 and from 2012 to 2013 sales increased with 38% 382,559. Cost of goods sold in 2010 were 65%, in 2011 63% and in 2012 69%. The percentages for Marketing and Merchandising elements in 2010 it was 5% in 2011 16% and in 2012 21%.

Based on the data provided by Company Medo-Flor, it shows that every financial line has been increased. The sales are steadily increased from year by year; therefore marketing and promotional materials are increased as well. According to Medo-Flor marketing department, marketing and promotional materials as a special line in the expenses are getting higher and higher percentage from sales. This is a result that company has decided to spend money in marketing as a result of capacity sales and the effect of merchandising on it, and was implemented by the management level of Medo-Flor. Second question that was asked to Medo-Flor staff is:

Q2: Can you give us a detailed list of key elements of merchandising and marketing plan that medo-flor invested during last three years?
First element is spacing which is one of key elements used, in 2010 investments in spacing were 2,000, in 2011 5,000, 2012 it was 4,097. Another element invested by Medo-flor are Masts which in 2010 the investment in mast was 500, in 2011 600 and in 2012 720. Third element are posters which in 2010 money invested in posters is 800, in 2011 2,700 and in 2012 3,900. Fourth element are markers and amount invested in markers is in 2010 200, 2011 800 and in 2012 3,200. Another key element is advertising in place of sale (POS) which in 2010 money invested is 1,000, in 2011 3,100 and in 2012 4,400. Demonstrations and tasting are also in merchandising plan elements that medo-flor invest in 300 in 2010, 800 in 2011 and in 2012 2,133. Last element in medo-flors merchandising plan is promotional items and the amount of money invested in these items is in 2010 1,300 in 2011 4,500 and in 2012 6,300, and a total amount invested in this plan is 2010 6,100, 2011 17,500 and in 2012 14,750.

As the list is describing above, merchandise budgeting is increased rapidly from 2010 to 2011. Likewise 2011 to 2012. According to MEDO-FLOR’s marketing strategy the highest money spent for marketing is in promotional items as the company has been using the most. Second range of expenses are spacing and advertising in the place of sale or POS. It seems that Medo-Flor Company has paid a lot of money for the space in the retail stores for the products.

Graph 1. Marketing expenses during 2010, 2011 and 2012
Comparative analysis

Comparative analysis show that spacing was increased from 2010 until 2011 with 150% and from 2011 till 2012 it decreased with -18%. From the details above we can see an increase with 20% of investments from 2010-2011 and also 20% from 2011 until 2012 for masts. Another increase in investment is shown for posters for 2010-2011 it’s 238% of increase and in 2011-2012 it is 44% increase. Fourth element compared is markers which have a high increase in investment for 2010-2011 it has a 300% of increase and in 2011-2012 also 300% increase in investment. Advertising in point of sale (POS) has an increase of 210% for 2010-2011 and for 2011-2012 42% increase in investment. Demonstrating and tasting is also compared and its increase in investment is 167% for 2010-2011 and for 2011-2012 is also 167%. Last element compared is promotional items for 2010-2011 246% and for 2011-2012 is 40%. Total investment have increased for 2010-2011 with a 286.88% and delta for 2011-2012 is increased with 70.71%. According to the comparative analysis as above, in 2011 comparing to 2010, markers promotional items, posters and advertising in the place of sale has been increased significantly, almost every line has gone up.
Graph 2. Expenses during 2010

In 2010, spacing and promotional materials are the highest marketing expenses occurred by Medo-Flor, followed by advertising in the place of sale and posters.

Graph 3. Expenses during 2011
In 2011, there is no change of marketing elements, but the change is at amounts which are obviously higher.

Graph 4. Expenses during 2012

Year 2012 has changed the role a bit by putting promotional items as the higher expenditure followed by advertising in the place of sale and spacing.

Table 4.

Vertical analysis

<table>
<thead>
<tr>
<th>Nr</th>
<th>Key Elements of a Merchandise Planning system</th>
<th>Year 2010</th>
<th>Vertical Analyse</th>
<th>Year 2011</th>
<th>Vertical Analyse</th>
<th>Year 2012</th>
<th>Vertical Analyse</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spacing</td>
<td>2,000</td>
<td>32.8%</td>
<td>5,000</td>
<td>28.6%</td>
<td>4,097</td>
<td>16.6%</td>
</tr>
<tr>
<td>2</td>
<td>Masts</td>
<td>500</td>
<td>8.2%</td>
<td>600</td>
<td>3.4%</td>
<td>720</td>
<td>2.9%</td>
</tr>
<tr>
<td>3</td>
<td>Posters</td>
<td>800</td>
<td>13.1%</td>
<td>2,700</td>
<td>15.4%</td>
<td>3,900</td>
<td>15.8%</td>
</tr>
<tr>
<td></td>
<td>Markers</td>
<td>200</td>
<td>3.3%</td>
<td>800</td>
<td>4.6%</td>
<td>3,200</td>
<td>12.9%</td>
</tr>
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<td>---</td>
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</tr>
<tr>
<td>5</td>
<td>Advertising in the place of sale or POS</td>
<td>1,000</td>
<td>16.4%</td>
<td>3,100</td>
<td>17.7%</td>
<td>4,400</td>
<td>17.8%</td>
</tr>
<tr>
<td>6</td>
<td>Demonstrations and tastings</td>
<td>300</td>
<td>4.9%</td>
<td>800</td>
<td>4.6%</td>
<td>2,133</td>
<td>8.6%</td>
</tr>
<tr>
<td>7</td>
<td>Promotional items</td>
<td>1,300</td>
<td>21.3%</td>
<td>4,500</td>
<td>25.7%</td>
<td>6,300</td>
<td>25.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,100</strong></td>
<td><strong>100%</strong></td>
<td><strong>17,500</strong></td>
<td><strong>100%</strong></td>
<td><strong>24,750</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The other way of analyzing the key elements of merchandise planning is by using the vertical analyzes method. As shown in the table above, in 2010 spacing has 32.8 % of total budget which is the highest. The second line is promotional item that are 21.3% of total expenditure. Year 2011 it didn’t change lines, but year 2012 has changed by putting spacing the most line expense followed by promotional items

Graph 5. Vertical evaluation of year 2010

![Graph 5. Vertical evaluation of year 2010](image)

Graph 6. Vertical analyze of year 2011

![Graph 6. Vertical analyze of year 2011](image)
5. KEY ELEMENTS OF A MERCHANDISE PLANNING SYSTEM

- **Location preferred product.** This is place of the product where increasing the chances of being acquired by the consumer. In supermarkets and self-service areas are the headwaters of
gondola shelves at the height of the eyes and the areas near the boxes.

(Picture no.1)

- **Batteries and massive product exhibitions.** Give a sense of abundance and often cause a positive effect on buyers.

(Picture no.2)

- **Buckets.** Containers exhibitors discovered. If products are out of order give a sense of bargain.

- **Linear Extensions.** Provisions extensible shelves designed to make a product stand out from the rest.
(See Picture no.3)

- **Masts.** Signs supported by a rigid rod in which offers or products advertised.

- **Posters.** Posters are advertisers that hang on walls, furniture or ceiling of the establishment.

- **Markers.** Markers are indicators such as arrows or lines which are located on the ground that serve to drive traffic and attention of consumers.

(Picture no.4)

- **Advertising in the place of sale or POS.** Speakers or presenters product permanent or temporary display boxes and displays
• **Demonstrations and tastings.** They tend to have wide acceptance in places and cause significant increases in sales. Demonstrations are made for products of use as appliances and food and beverage tastings.

• **Animation in point of sale.** Joint promotional activities that are held in a facility for a specified time because of a particular event. For example: Week fantastic Round the tail, Important Holidays etc.
• **Promotional items.** Another is the meaning of merchandising of promotional items (also called "advertising claims" in English tie-in because they are linked to a product). They vary in size and value, according to the objectives of the communication campaign.
6. CONCLUSION

This chapter gives the final conclusion regarding this research and answers the two questions which have been made in first chapter.

RQ1. How does the merchandising affect the retail sales?

Merchandising implementation plays a key role, since its aim is to provide an appropriate store atmosphere and display products in a way that encourages buying activity. Merchandising is implemented with the help of many factors some of them are merchandising classes which are point of sale animations, stickers, shelf displays (etc).

This case study investigates the effects of merchandising factors on retail sales, which are mostly increasing in sales and profits for stores, increase in market shares, reducing costs for the companies and another factor that merchandising effects maybe the one that it affects the most is influencing costumer’s decision, this factor influences in all those factors mentioned above. The study was carried out in one type of story: case study– where merchandising factors were employed. When customers can shop in stores without difficulty, sales are impacted positively. If stores are disorganized, chaotic, or too full, sales will drop drastically. The analysis of the results confirmed the income effect and decision making effect.

The merchandiser in the retail chain store needs to be a specialist to handle his duties because retail chain has more than one area and has a different consumer market. The merchandiser of these kinds of stores has to be more careful to know the needs of the market if not it could lead to a overbuying or under-buying both affect profitability of the product and profitability of the store (Pradhan, 2010).

RQ2-Which merchandising elements are more efficient?

The increase in revenue can be an indicator that merchandising factors or elements have an influence on the consumer’s store choice criteria and his/her behavior within a determined sales environment. The result of this study shows that when costumers are exposed to in-store display and promotional signage, costumers are more likely to purchase with their impulsive decision which incites an unplanned buying decision in that store. By using Medo-Flors analysis this research concludes that in spacing and place of sale medo-flor has invested the most during the last three years and their focus on them was because these element have helped the company
to improve in sales but this research also shows that elements such as promotional item and tasting are also effective for medo-flor because of their products which are food products mostly and tasting and promotional items can give a good brand awareness of their products.

Animation in the point of sale are joint promotional activities that are held in a facility for a specified time because of a particular event for example in holidays and these promotional activities can make the image of the company better because of their involvement with their costumers and by this the company also gets to know better wants and need of the costumers. Linear extension is also another element of merchandising that is efficient because they are provisions extensible shelves designed to make a product stand out from the rest and this distance created from the rest gives an idea to costumers that this product is more unique than the others. This research indicates that the merchandising should be applied by all companies that have financial means to invest in exhibitions of the products offered on the market.
7. RECOMMANDATION AND FUTURE WORK

7.1 Implication for theory

The purpose of this research was to provide an understanding of what is the impact of merchandising in retail sales. Most of the theories for merchandising found during this research are applicable in practice as shown also above from data analysis. Few technical, especially theorists, who know the real needs of trade, as there is a big difference between books and daily life, but generically we can say that the "merchandising" can be applied to each inside corner and outside the establishment, in every space where the eye reaches the customer (Segel, 2012).

According to (Edukalife, 2013) journal customers more and more like independence and freedom to purchase and especially at the time of the purchase decision. The businesses of tomorrow are likely to replace the sales by the visual verbal argument. A good plan of "merchandising" allows the product itself is presented and provide better customer. By taking this hypothesis into consideration the research found out with medo-flor’s data that they use some merchandising tools in order for the product present itself, as example: Linear extension and location preferred product. Location preferred product which means the place of the product where chances for increase in sale are high and it is also a self service are and the product is best presented in the height of eyes. Linear extensions are shelves designed to make a product stand out from the rest of products, these two merchandising tools are the business of tomorrow and are more likely to replace the sales by the visual verbal argument.

According to (Johnson 1993) the merchandising includes all activity in a retail outlet, which aims to reaffirm or change the purchasing behavior in favor of more profitable items for the facility. The basic objectives of merchandising are: attention, directing the customer to the product, facilitating the purchase action. For making these objectives of merchandising possible medo-flor uses advertising in the place of sale (POS) which is a tool they have invested more and more during last three years in order for the company to create attention and direct costumers to buy the product.
7.2 Recommendation and future work

Merchandising is a global subject which is observed around the world and further work could perhaps make a better understanding of merchandising phenomenon. Some of the work that could be done by researchers in Kosovo are:

1. Comparing merchandising in the stores of Kosovo from a costumer’s perspective.
2. Study if merchandising has a factor also in brand loyalty.
3. Further study of merchandising impact and performance in food industry.
4. Merchandising impact on impulsive buying behavior.
5. How are male and female buyers, affected by the merchandising and it store layout.
6. Further studies for merchandising impact in sales for Medo-Flor.
7. Study how Visual Merchandising of the retail stores is used in Prishtina and the difference between Prishtina and other cities.
8. There is also able to do more studies for the effect merchandising tools as for example signs, posters and markers have in sales of a company.
9. Purchasing behavior of consumers is a field that can be worked or studied by researchers.

Qualitative approaches to this particular study as well as mixture of quantitative and qualitative methods are recommended for future work.

7.3 Implications for company

This research leads to some implications for the company because of their spending in merchandising elements and because of the result merchandising is giving them. Based on the findings from theory and practice the researcher recommends the company to build an merchandising section and they would be able to make an ongoing merchandising system which would increase the company’s knowledge on merchandising impact on their sales and earnings which the company would get after implementing merchandising system.

While gathering theoretical and practical data this research has shown that merchandising has helped the company in their increase in sales which is a focus field for Medo-
Flor and because some merchandising tools have been more efficient than others for the company the researcher recommends the company to create a special plan and budget for these three tools of merchandising such as: Spacing, advertising in place of sale (POS) and demonstrating and tastings in order to get more improvement in their sales.

Research recommends that some effort be made by retailers to ensure that they improve their store appearance and image and that store layout is an important factor affecting consumer behavior and a critical determinant towards the creation of purchase decision. Well designed layouts are extremely important because they strongly influence in-store traffic which can make costumers feel more comfortable in store.

Voluntary chain is when the wholesalers buy store fronts and promotional aids from retailers or in other words retailer consults the wholesaler for merchandising, medo-flors merchandising department should focus more on these stores that use voluntary chain which would enable their ideas for merchandising to be more efficient because voluntary chain gives them the opportunity to implement their merchandising strategy in retail stores.
REFERENCES


APPENDIX

Research Questions:

RQ1-how does the merchandising affect the retail sales?

RQ2-what merchandising elements are more efficient?

Pictures below are used in the research paper:

Picture no.1
Location preferred product.

Picture no.2
Batteries and massive product exhibitions

Picture no.3
Linear Extensions
Picture no.4
Markers

Picture no.5
Advertising in the place of sale or POS

Picture no.6
Demonstrations and tastings
Picture no.7

Animation in point of sale

Picture no.8

Promotional items