

## Methodical Aspects of Researching Issues in Retail Marketing

**Petrova, D.**

University of Economics – Varna, 77 Kniaz Boris Iblvd  
e-mail: d.petrova@ue-varna.bg

**Abstract:** *In modern conditions retailing is one of the most dynamically developing sectors of economy. The factors favoring this development are: newly emerging markets, more sophisticated technologies, new trade formats, foreign investments. Merchants play the role of a linking element between producers and end users which leads to overcoming a number of discrepancies in terms of: range, quality, place, time and ownership. In order to stay competitive retailers should not only offer goods and services, they should also offer the appropriate products, create adequate environment that stimulates purchasing, as well as work out marketing which is to increase the number of visitors and buyers in outlets and increase the average value of a purchase.*

*Together with the issue of locating outlets, retailers face problem solving concerning the formation of product range, laying out racks in retail rooms, displaying goods, additional sales points, specific merchandising decisions and informational insurance of the purchase. With the help of various research marketing methods retailers gather the necessary information on consumer preferences, visitors' behavior, as well as information about the way a particular experiment affects an outlet's performance. On the grounds of the data received one can make changes in the spacial positioning of outlets, the range offered, marketing offering, forms of servicing and methods of payment.*

**Keywords:** *retail marketing, trade offer, observation, experiment, merchandising.*

### 1. INTRODUCTION

In conditions of rapid development of the economy, market globalization, development of technologies, online commerce and increasing competition a number of problems emerge which retailers should handle. Being competitive is done through applying innovative approaches and principles. Practice shows that commercial activities are carried out all the time and they help for handling every market situation.

Retailing is a business activity for offering goods and services to the end users. A retailer is every commercial company that directs its marketing efforts to the end user aiming at selling goods and services. The correct combination of activities in selling the products includes: offering the right product (issues in respect to defining the product range) in the right volume at the right place (issues in respect to locating the retailing outlets) at the right time (forming goods in stock) at the right price (applying price policy) and with the right appeal (whom to address, what to say, what channel to use)<sup>5</sup>.

For the period 2000 - 2008 one observes a tendency for increasing the revenues from retailing sales in Bulgaria. After 2008 the revenues from retailing sales in Bulgaria start to go down and in 2010 they reach BGN 29 277 314 (there's a growth of BGN 301% compared to the basic 2000 or in value dimension – an increase of BGN 19 551 456; however compared to 2008 there's a fall of 12%)<sup>6</sup>. The crises was quite evident – first, customer purchasing power shrank and second, there was registered use of low-priced products, a growing share of chains selling their own brands and an increase of the use of products on promotion.

Parallel to the increase of revenues the number of outlets grows. The outlets for retailing and wholesale in Bulgaria in 2000 were 98 192 (including outlets for food and outlets where food is not sold). At the end of 2010 their number reached 130 102<sup>7</sup>. There is a tendency for a bigger share of modern commerce – hypermarkets and supermarkets whose expansion will continue in the near future. At the time being chains have about 34% market share and the forecast says that shares of modern and traditional commerce (neighborhood shops with one cash-desk) will be equal.

According to data of Planet Retail analysts, in Bulgaria there are 1900 hypermarkets, supermarkets, drugstores, etc. – representatives of the so-called modern commerce. The forecast says that the number of shops will grow by 6-7% annually and in 2016 there will be 2600 outlets of this type.<sup>8</sup>

<sup>5</sup> Lewinson, D. Wayne DeLozier, M. Retailing, Merrill Publishing, USA, 1986, pp. 4-11.

<sup>6</sup> According to data of the National Institute of Statistics <http://www.nsi.bg/otrasal.php?otr=5&a1=632&a2=1118> (accessed 15 May 2012).

<sup>7</sup> The same source. <http://www.nsi.bg/otrasal.php?otr=5&a1=632&a2=634&#cont> (accessed 15 May 2012).

<sup>8</sup> <http://www.regal.bg/show.php?storyid=1750745> (accessed 15 May 2012).

## 2. RELEVANT ISSUES AND TENDENCIES IN THE DEVELOPMENT OF COMMERCE

One of the main issues that retailers face is saving the consumers' *free time*. In order to keep their competitiveness and broaden the consumer base retailers should approach their customers. Thus they will make it easier for the users and will help their efforts to save their free time. In this respect the basic activities of retailers might be as follows<sup>9</sup>:

- Optimising what is offered through a better organisation of the commercial network, providing more information and increasing the number of employees. Commercial chains in Bulgaria started closing part of their outlets and opening new ones in other locations. The result is an increase of the total number of outlets that belong to the chain, however – at the expense of profits. Chains strive to approach their clients by opening new outlets in the space between the blocks of flats (like the type of neighborhood shops).
- Shortening the time of servicing clients through introducing new technologies and sales methods and modern ways of paying the purchased products.
- Changing the working time of the outlets so that it can be more comfortable for the clients.
- Using modern technique and technology for processing data about deliveries, storage and sales.
- Optimising the product-range structure so that clients can shorten the time and lower the risk in choosing, buying and using the products.
- Improving price setting so that the client can reduce the need to include the time he has spent in the price.
- Using simpler programs for stimulating sales that have rapid and obvious effect in respect to users who want to manage their time better.

Product-range decisions need to be made in compliance with the basic demographic tendency in the last years – *aging of population*. Retailers should be familiar with the *changes in the age structure* of population aiming at adjusting what they offer to their clients. They should approach differentially the particular in-group variations in respect to demand, style and way of life, consumer behavior and other specific characteristics.

For example, the population in the age group up to 19 buys snacks, sports goods and gear, clothes to wear every day, soft drinks and others. The population in the age range 20-39 has needs that grow all the time but has difficulty in meeting them because it still has weak professional position. The population in the age range 40-59 is usually characterised by bigger income and enough money for buying. It cares for the quality, duration and variety of goods and services. The group of users aged above 60 becomes more important for commercial activities and this results into changes of the strategies meant for this part of the population. These people have comparatively lower income. One needs to pay particular attention to their interests, strivings and desires instead of focusing on age in advertisements or emphasising that a particular item or service is meant for old people; one has to pay special attention to the experience of having and using the products and so on.

When retailers decide what to include in their product range they have in mind the following factors: goal (to what degree the product range meets the needs and is in compliance with prices), status (ranging each product according to its relative importance), completion (to what degree the product range includes the necessary products that satisfy the retailer's clients), product quality (products of different quality and prices for users of different market segments), company image (there survive and develop only those retailers who have differentiated their identity and image in a stable and understandable way), financial and investment risks, the needs of the target market, management of reserves in increasing or narrowing product variety and others<sup>10</sup>.

After having the right product range, retailers should pay attention at the technological structure of their outlets. This concerns allocation of space in the particular areas, laying out the technological equipment and providing particular direction of the consumer flow. This should ensure ultimate comfort for the clients in walking in the outlet and choosing goods, most rational use of the space provided, correct allocation of buyers in the commercial areas of the outlet and favorable working conditions for the staff.

The layout decision is important in the field of managing operations in retailing and therefore it needs to be made from the point of view of the potential for sales in the particular areas and the type of the goods offered<sup>11</sup>.

Non-mechanical equipment in the commercial hall is laid out depending on the type and structure of the product range and the method for selling the goods. To make a successful layout the following principles are important: rational use of the commercial space; a chance for buyers to orientate quickly and reach the item they need without any obstacles. Besides, one is sure that there is the opportunity for control on the staff and quick change in the layout when the product range is enlarged or the technology is changed<sup>12</sup>.

Depending on the size and configuration of the commercial hall and the specialization of the shop the following systems for layout are applied<sup>13</sup>:

- linear – the equipment is laid out along the length, width or diagonal of the commercial hall;
- combined – the equipment is laid out along the length and width or diagonal;

<sup>9</sup> See in details: Lewinson, D. Retailing, New York, Macmillan Publishing, 1991, pp. 680-697.

<sup>10</sup> Mason, J. Mayer, M., Modern Retailing: Theory and Practice, Homewood, IL, BPI, 1990, pp. 8-9.

<sup>11</sup> Lewinson, D. Wayne DeLozier, M. Retailing, Merrill Publishing, USA, 1986, pp. 4-11.

<sup>12</sup> Ковачева, В. Организация и оперативно управление на търговията, ЛИА, София, 2000, с. 166

<sup>13</sup> Lewinson, D. and M. DeLozier, Retailing, Merrill Publishing Company, USA, 1986, pp. 288-289.

- island-like – the equipment is laid out in the centre of the commercial hall in the form of islands of various shapes;
- boutique – this system allows dividing the space of the commercial hall into small shops – specialized and closely specialized (boxes), an independent section with its own cash-desk is located in each box;
- free – the equipment is laid in accordance with the shape of the commercial hall.

When choosing a system of equipment layout one should have in mind the type of goods and the characteristic features of consumer demand, the sales method, the shape and size of the commercial hall. Designing the commercial hall and choosing a suitable system for equipment layout is a decisive factor for the success of the commercial activity. This is, actually, one of the basic tasks of the merchandiser of every commercial outlet. After laying out the equipment, attention should be focussed on the other issue that retailers face, namely – *putting goods and groups of merchandise in order*. What is important here is the sequence of merchandise groups and the accessibility of goods. The basic aims in doing this are: providing comfort in buying with minimum effort; efficient use of the space for display, decreasing the labor costs for storing goods in stock in the commercial hall and selling them. The principles of displaying the goods on the commercial equipment are<sup>14</sup>:

- choosing the most suitable way of putting goods in order;
- neat order, using the whole capacity of the equipment, using the packaged items for advertising;
- using the active spots for selling items that are on less demand;
- providing optimal visibility of goods for the clients (1,2 – 1,6m) and easy access;
- putting the accompanying items on suitable equipment next to the basic ones and others.

Laying out the merchandise groups depends on the type of the commercial outlet and mostly on its size, its location, the corporate style of the company, the competitors' activity, the space in the commercial hall, carrying out advertising activities and ones for stimulating sales and last but not least, on the attitude on behalf of consumers to the process of organising sales in the outlet. The combined effect of all these factors enables us to think that laying out goods and merchandise groups is not static, it needs to be changed periodically. This depends, on the one hand, on how strong a particular factor is. On the other hand, it can be defined as a particular decision of the merchandiser of the commercial outlet. By all means the decision needs to be accompanied by and based on familiarity with the basic and secondary spots in the commercial hall, hence familiarity with the direction of the consumer flow and the possibility for changing it.

Having these factors in mind one can make decisions for *additional technical equipment* in the outlet. One needs to focus mainly on particular groups of items. In presenting the merchandise groups, we can point out two basic moments:

- priority of location in the commercial hall;
- dividing the groups in categories depending on their popularity among regular clients.

The location of priority in the commercial hall depends on the flow of consumers. In other words, it is the way walked by most of the clients. Even the goods of the best quality and the ones that are mostly advertised cannot be sold if their positioning in the outlet is chosen inappropriately.

In retailing outlets there are basic and additional points of sale. The basic ones in the commercial hall are allocated along the inside perimetre: from the start of the consumer flow to the cash-desk area. In allocating the merchandise groups along the whole perimetre one has in mind how much these items are on demand. By principle the items on everyday demand are positioned along the perimetre of the commercial hall where clients can easily find them. The goods on periodical demand are located in the centre of the commercial hall since it is not necessary to direct the attention of all clients towards them. The last group – goods on impulsive demand are usually located in the «hot» spots of the commercial hall where they can be visible by most clients.

By basic points of sale we mean the places where all producers of a particular merchandise group are presented. Whereas the *additional points of sale* increase the probability for the purchase of a particular item. The latter could be an efficient tool for increasing sales since they allow the quantity of impulsive purchases to grow up. That is why the additional points of sale need to be organised mainly for “impulsive” goods and ones that are sold regularly. They are the main way to prolong the way of the client in the outlet. One can define as additional points of sale the “hot” spots in the commercial hall or can lay them out beside the accompanying goods<sup>15</sup>.

In designing the consumer flow in the commercial hall it is recommended to have in mind some physical, logical or psychological considerations<sup>16</sup>. Considering these factors and mostly the psychological ones gives the ground for the so-called “golden triangular” in the commercial hall. When tracking the buyer one finds out that this is the area between the entrance, the cash-desk and the main product section.

The basic criterion for laying out the space in the commercial hall among the merchandise groups is increasing the revenue from a unit of the commercial space. This turns defining the basic and additional points of sales, forming the “golden

<sup>14</sup> Ковачева, В. Организация и оперативно управление на търговията, ЛИА, София, 2000, с.163.

<sup>15</sup> Минков, В. Организация и технология на продажбите, Фабер, В. Търново, 2009, с. 203-207.

<sup>16</sup> Банчев, П. Управление на продажбите, АИ Ценов, Свищов, 2004, с. 228.

triangular” and the constant relocation of the goods in the commercial hall both according to the demand and the expiry date into a considerably important task for the merchandising.

In order to meet consumers’ increasing needs and raise sales revenues, retailers need to make social contact with their clients that is different from traditional advertising. This communication with consumers defines another issue – making specific merchandising decisions.

To make the best merchandising decision it is necessary to get acquainted with consumers’ conscience, realize their behavior from the moment of entering the shop till paying the bill and leaving. Practice has imposed the following rule: in the first couple of minutes after entering the commercial space the buyer is defined as distracted (he is inclined to buy by impulse); the further he goes into the shop, the more selective he gets and the less responsive to side impacts; when entering the cash-desk area the consumer spends also time on the attractive advertising materials (he is inclined to buy by impulse, however – to a considerably less degree).

### 3. MARKETING METHODS

In order to retain their clients and develop their activity successfully retailers have to make a number of surveys aimed at defining consumer reactions, needs, preferences and expectations. The information gathered from surveys serves also for making the best decisions concerning the issues mentioned above.

#### 3.1. Method of Observation

Observation is a method of market research with exceptional importance for commercial practice. Through it one registers the behavior of consumers in retailing outlets, their conscious and unconscious movement, reactions and actions. Observation underpins merchandising decisions and standards in retailing outlets.

In this method the source of information is actually the behavior of the subject in research, not his self-conscience<sup>17</sup>. Therefore, through observation one cannot register motives, desires and attitudes. However, one can register exceptionally important objective behavioral factors. Thus, for example, through observation one can register how many of the men who have tried on a particular piece of clothing will buy it (65%) and how many of the women who have tried on a particular piece of clothing will buy it (25%); how many people look through and buy a computer in the morning (4%) and how many do it in the afternoon after 5 pm (21%); how many of the buyers in the retailing outlets notice the advertisement at the entrance and so on.

Observation is largely applied in the following typical questions in surveys<sup>18</sup>:

- What is the buying practice – the most typical application of observation in commercial practice – how people move in retailing outlets, where they look at, how long it takes them to choose a particular product, whether they read the information on the package, how advertising influences the point of sales, to what degree the product positioning influences the buying decision, which the “hot” spots in the retailing outlet are and others.
- What is the sales practice – how clients are actually served in the retailing outlet, whether accepted standards are met, if there are conditions for potential conflicts and others.
- What is the practice of using the products – how a package is opened, which characteristics and functions of the products are used and how<sup>19</sup>.
- What the behavior and reactions of the buyer observed are – in the retailing outlet or elsewhere. Registering body language is an indispensable source of information – surprise, blushing, making a face at unexpected taste or simply scratching and shaking a leg can «tell» more than words that are not always sincere when uttered by respondents.
- In surveying small children and their preferences and behavior, as well as in surveying other respondents who cannot define their behavior and preferences easily.

For carrying out successful surveys through the method of observation there should be present the following conditions:

- One needs to survey only such behavior that is a result of frequently repeated systematic activity.
- Observation needs to be made in relatively short time slots.
- The processes and phenomena need to be sufficiently accessible for observation.
- One needs to work out a plan of the research which includes: goals, tasks, subject and topic of the observation, the units and features that are to be observed, the concepts that describe the reactions of the observed, the schedule of the observation, the means of gathering information, the field assistants and their training.

<sup>17</sup> There is an exception of combined application of the observation method with that of questioning.

<sup>18</sup> Гълъбова, В. Пазарни проучвания в търговията, Университетско издателство „Стопанство”, София, 2006, с.157-184.

<sup>19</sup> The method of observation is used by car manufacturers (Honda) in order to track the use of the boot and the comfort that users look for. Observing families who use their car in the city for transport and shopping and put large bags in the boot has shown that it is good to make the process of car usage easier and make a variant of a car with a fifth door.

Through observation in a retailing outlet a number of questions concerning the place of sales and its possible organisation find an answer such as:

- How much time do buyers spend in the shops and how much time do they spend at various places in the sales departments?
- How many of the people roaming in shops turn into buyers as a result of the good display of products?
- Is it easy for clients to touch displayed goods (in retailing outlets through the method of observation)?
- How many people look through the products without buying?
- How many people look through the packaging in particular before buying the product?
- How many people buy a particular product without looking through it at all?

For example, through observation there has been registered a “dead zone” at the entrance of the retailing outlet – a walking zone from outside to the centre of the shop where consumers get oriented and don’t respond to possible impacts from advertising slogans and displays. Or the observation that the time spent in a retailing outlet is directly connected to the circumstance whether the client is male or female, if he is alone or not<sup>20</sup>.

When we make a survey through observation we need to be well acquainted with the following rules<sup>21</sup>:

- *Look for the usual not the unusual* – what one needs to observe are typical things that people do, their usual behavior.
- *All that is seen can happen in a different way – people do something different* – they walk round the shop, stop and choose items. Some of us spend more time on studying the packaging and the instructions for using the product, others – on comparing the product with other ones.
- *Be a master of the typical stuff* – take the most obvious thing and think about why it is so.
- *Don’t be afraid of details* - field assistants should make detailed notes. They should be careful where people walk, stop, sit or look at. How long do they do that? Who with? What do they do?
- *Discover the whole process* – it is a number of behaviors that include various parts and reflect “what is going on” from the point of view of the buyer. In order to register the whole process one should note how the buyer “enters” the action, which is the topic of the observation and how he “goes out” of it.
- *Let the arrow reach the target* – field assistants should leave space in the format for writing down what in the consumers’ behavior impressed them.
- *Combine observation with another survey method* – the goal is to combine analyzing what people do with analyzing what they say.

### 3.2. The Experimental Method

In a situation of active and intensive competition there is a greater necessity for principle research of customers, competitors, contractors and their reactions when particular marketing variables are changed. Often marketing managers look for opportunities to measure the effect of activities planned or carried out by them. For example, when one defines to what degree new packaging influences sales of milk or the effect of a promotion campaign on increasing sales. Similar tasks are not that easy because it is possible that there exist other variables that accompany the factor researched and they lead to changes in sales.

The basic aim of the experimental strategy is to discover or confirm the existence of cause-and-effect relations between two or more variables and, if possible, to value them. In marketing research because of the specificity of the item and topic studied it is not possible to apply the experiment method so strictly and precisely as in natural sciences. With the help of this method one can measure the effect of applying various marketing stimuli like price promotions, offering additional value or increasing advertising costs.

Table 1 shows the variations in applying the experimental method.

<sup>20</sup> For ex., according to the research of Pako Underhill in a US domestic-appliances store a woman who does shopping with another one spends average 8 minutes, a woman with children – 7 minutes, a woman alone – 5 minutes, a woman with a man – 4 minutes. The least time a woman spends with her husband because, Pako Underhill says, the man is bored and he wants to leave. Similar conclusions can be a good ground for adjusting retailing service (install a TV set for men to watch while their wives do the shopping).

<sup>21</sup> Source for the rules: Didkie, W. Seven Rules for Observational Research: How to watch people do Stuff, Quirk’s Marketing Research, December 1997.

**Table 1: Variations in applying the experimental method**

Variation	Specifics
Laboratory experiment	<ul style="list-style-type: none"> <li>- it is carried out in a strongly controlled artificial situation;</li> <li>- they have high internal validity but low external one<sup>22</sup>;</li> <li>- they require less expenses;</li> <li>- they are organized easily;</li> <li>- minor problems concerning ethics;</li> <li>- they require short time to carry out.</li> </ul>
Field experiment	<ul style="list-style-type: none"> <li>- they are carried out in real terms;</li> <li>- high validity of external validity of the experiment;</li> <li>- they require more time and expenses;</li> <li>- Not easy to organize;</li> <li>- Lead to ethical issues.</li> </ul>

In order to make conclusions about the existence of cause-and-effect links certain conditions should be met<sup>23</sup>:

- An interconnection should exist between the variables observed, one of them accepted as the cause and the other one – the effect.
- The variable accepted as the cause should come before the one seen as the effect. If the opposite evidence is there, such a cause-and-effect link cannot exist.
- There should be no other variables explaining the consequence observed.
- In real research practice, however, the three conditions mentioned above for the existence of cause-and-effect links can be hardly come upon in a clear and uncontradictory manner. In order to be useful for making managerial decisions, these conclusions:
  - should be generalizing enough in order to scope a bigger class of phenomena and go beyond the particular situation in which they have been established;
  - should come into force for a longer time so that the managerial decisions, which require particular technological time to be taken and realised, can have importance.

Marketing researches play an important role in improving what companies offer in the retailing sector. In a situation of increasing competition between retailing outlets and the increased share of online commerce more and more often retailers have to study and analyse the market and consumer preferences. With the help of the marketing methods studied in this paper retailers gather the information necessary for making important managerial decisions. On the ground of the results obtained from the researches one makes decisions about the product range, forms of servicing and payment, ways of delivery, as well as about applying effective marketing stimuli. For retailers it is necessary to understand and be familiar with their clients, to know exactly what they are looking for, where they want to find it and how much they are ready to pay for it. Applying merchandising standards in retailing outlets aims at a more attractive display of products so that the consumer's attention can be attracted and he can feel the need of owning the particular product or service.

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<sup>22</sup> “Internal validity” means the ability not to allow variables other than the ones that we have interest in to affect the results observed. The external validity shows the opportunity for generalization and credibility in spreading the data from the experiment over the whole lot that is researched.

<sup>23</sup> Желев, С. Маркетингови изследвания, Методология и организация, Университетско издателство „Стопанство”, София, 2008, с. 170-182.