

Determination of Effect of Merchandizing On purchase Decision of Customers of Farmand Company in Shahrvand Chain Stores of Tehran

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ABSTRACT

One of influencing factors on purchase decision of customers is merchandizing. The term means a collection of methods by which available goods in stores are shown to customers. Therefore, companies can affect purchase decision and understanding of customers through execution of merchandizing factors so that the customer will be willing to go shopping in the store which leads to a sense of loyalty. The present study is applied, pseudo-experimental (with control and sample groups) which was performed in field. The statistical community was consisted of all customers of Shahrvand Chain stores of Tehran who have bought one of Farmand products. To perform the present study, 4 stores were selected for merchandising during July, August, and early September 2009 among Shahrvand stores all around Tehran City in terms of sale amount of Farmand products in each store and classifications of Shahrvand Company according to zoning. Emphasizing significant effect of all merchandizing factors on purchase decision of customers for consumer goods, the findings obtained from the present study showed that cleanness of shelves is of more importance compared to other factors.

KEYWORDS: Merchandizing, purchase Decision, Chain Stores, Brand, Stor Loyalty.

INTRODUCTION

Retailing is consisted of all activities in order to selling goods and providing services for final consumer (person and/or organization) [5]. Retailers should opt for a proper decision about three important variables, i.e. store atmosphere, combination of products, and combination of services. Store atmosphere is influential in purchase behavior and understanding of customers and return impetus of the customer (it also can be referred as customer's sense of loyalty as mentioned before). Thus, organizing retailing atmosphere is one of the most important factors to form an excellent imagination of the store for customers [12].

Various measures may be taken to distinguish products in retailers. One of the measures is store atmosphere by which a company can excel its rivals. Each store makes a different feeling in its customers where one store is crowded and the other is so calm [5].

The main challenge is to make and keep an interesting atmosphere to persuade customers [8]. As a matter of fact, a store can be considered as a war arena where each centimeter of the floors, walls and counters is exposed to a stifling attack by producers, wholesalers, and distributors. In the arena, whatever necessary weapons should be provided to attract customers. One of simple and effective techniques is merchandizing by which a store can turn its atmosphere to a favorable place for business [4]. Merchandizing factors are said to be of high influence on customers understanding, an influence even higher than that of price.

The typical question proposed in every retailer is how to persuade customers to go shopping in your store rather than others. Authors in Lim College (2001) believe that marketing and merchandizing can woo customers through coordinated attempts.

Merchandizing:

Merchandizing is consisted of classification of statuses and characteristics of the products being sold; in other words, it is a method to present goods in stores. According to another definition, merchandizing a brand is a part of campaign to promote coordinated sale in a store in order to elevate sale [8].

Retailer stores provide services along with food products to attract more customers. The services lead customers to devote more time in the store [6]. Merchandizing means to choose and place optimal spectrum of products in order to meet customers' requirements to find the product in need like a piece of cake! Merchandizing is

persuasion device used by retailers to form relationships with target customers [15]. There is only 2 seconds to draw a customer's attention and if you can't do this, you should wave a bitter goodbye to a delicious profit. Managers of store have long been realizing that influential merchandizing may boost profit, form instant purchase, and improve your side in competition [6]. As cookies and chocolates are easily-sold products for consumers, according to what Asael said, stimulators within stores (e.g. advertisements, presentations, position of products in shelves, so on) are very influential on purchase behavior of consumers and their purchase impetus [2]. Planning, organization, execution, and control merchandizing affairs are all attributed to merchandizing establishments. Merchandisers in different levels of organization are engaged to perform the tasks and responsibilities they are given in the case of mega strategy of organization. In general, the tasks are as follows: sorting products in shelves, controlling price tags of products, controlling inventory list and ordering products, negotiation about order of products placement in shelves, and presentation of products conformed to predefined standards.

Effective factors on merchandizing are as follows: store atmosphere, lighting, music, odor, color, ease of seeing, speed of recognition, tidy sorting, availability of products, relativity of products, placement arrangement, organization, cashier's place, presentation and design of store.

About the present study:

Importance of merchandizing and its role in purchase decision of customers made Farmand Company (producer of variety of cookies and chocolates) run merchandizing research in stores. It should be noted that Iranian companies hold the responsibility of merchandizing their products themselves.

The present study aimed at determination of the relationship between merchandizing and purchase decision of customers of Farmand Company. It is noteworthy that merchandizing factors are not limited to the factors outlined here; however, some of the factors were chosen due to the limitations to perform them. Also, Shahrvand Chain Stores were selected thank to close collaboration with Farmand Companies.

Hypotheses:

Principle hypothesis:

- Merchandizing has a positive effect on purchase decision of customers for buying Farmand Products.

Secondary hypotheses:

- A. Attendance of Farmand Company's merchandiser in the store has a positive effect on purchase decision of customers.
- B. Neat arrangement and separation of the products have a positive effect on purchase decision of customers.
- C. Presenting goods in such a way that brand and type of the product can be easily distinguished by consumer has a positive effect on purchase decision of customers.
- D. Placement of Farmand shelves has a positive effect on purchase decision of customers.
- E. Directing signs to Farmand shelves have a positive effect on purchase decision of customers.
- F. Information papers about products in shelves have a positive effect on purchase decision of customers.
- G. Easy access of customers to Farmand products in shelves has a positive effect on purchase decision of customers.
- H. Products relativity (i.e. availability of all products of Farmand in terms of flavor and variety in shelves) has a positive effect on purchase decision of customers.
- I. Fullness of shelves with Farmand products has a positive effect on purchase decision of customers.
- J. Cleanness of Farmand shelves in Shahrvand Chain Stores has a positive effect on purchase decision of customers.

METHODOLOGY

The present study is applied, pseudo-experimental (with control and sample groups) which was performed in field. The statistical community was consisted of all customers of Shahrvand Chain stores of Tehran who have bought one of Farmand products. To perform the present study, 4 stores were selected for merchandising during July, August, and early September 2009 among Shahrvand stores all around Tehran City in terms of sale amount of Farmand products in each store and classifications of Shahrvand Company according to zoning. Control stores were also selected due to proximity to the chosen stores. The reason for this selection is approximate cultural sameness of people in proximate zones.

The data was collected through a two-part questionnaire whose first part was an open question about why customers do shopping in these stores and the second part is associated with influence of merchandising factors on purchase decision of customers. Cronbach's alpha was adopted so as to assign creditability of research tools which

are used to determine internal correspondence of the questionnaire. Therefore, 40 questionnaires were distributed among members of statistical community and the answers were analyzed using SPSS Software. Cronbach's alpha was assigned to be 0.95 which is an evidence for validity of the questionnaire. Content validity method was adopted to assign reliability of estimation tool; also, the questionnaires were given to some marketing and social sciences professors of Alzahra and Shahid-Beheshty Universities to be assessed.

The questionnaires were filled in by customers of Shahrvand Stores who had bought at least one of Farmand products. It is noteworthy that statistical sample of the present study consisted 240 people (30 people for each store) including merchandized and non-merchandized stores.

RESULTS

- Description and comparison of response of different groups about why they shopped for Farmand products

Purchase reasons were asked as an open question in the first part of questionnaire. The obtained results showed that no one referred merchandized factors as his/her incentive to shop for Farmand product but they mentioned some other factors such as quality as appealing factors for their decisions.

- Description and comparison of people's response about shopping intention of Farmand products before entering the store

This part of the questionnaire asked customers whether they intended to shop for Farmand products before entering the store or they decided to buy the products in the store after seeing the product. As it can be seen in Table 1, majority of customers in merchandised stores (72.5 percent) entered the stores without previous intention for buying Farmand products. This was true for non-merchandised stores where 63.3 percent of customers shopped for Farmand products without previous intention.

1st hypothesis:

Attendance of merchandiser of Farmand Company at the store had a positive effect on purchase decision of customers. The t-test in SPSS Software was utilized to determine the first hypothesis. The results are shown in Table 2.

As it can be seen in Table 2, the acquired t for attendance of company's agent (14.22) with freedom degree of 119 is higher than that of the table (1.96). Therefore, it can be concluded that attendance of the agent had a positive effect on purchase decision of customers. This is true for other factors (with various freedom degrees)

2nd – 10th hypotheses:

The t-test was again adopted to assess the hypotheses. As it can be seen in Table 3, because the acquired t (40.28) with freedom degree of 119 is higher than that of the table (1.96), it can be concluded that members of the statistical sample in the present study believe that neat arrangement and separation of Farmand products in shelves have positive effect on their purchase decision. Also, considering the higher mean value for this factor (4.6) which is higher than that of statistical community (3), the above-mentioned conclusion can be verified.

In the case of other factors, the obtained t is higher than that of the table (1.96) and the obtained mean value is higher than that of statistical community (3). Therefore, it can be concluded that all mentioned hypotheses affect the customers' purchase decision. It is noteworthy that 0.000 has been obtained in significance level column in two amplitudes, which is smaller than the second alpha (two amplitudes). So, it can be said that in confidence level of 95 percent, the respondents know all the mentioned factors to be effective in their purchase decision.

Ranking the influence of merchandizing factors on customers' purchase decision:

In order to identify weight and effect of each of influential components on customers' purchase decision, Friedman Ranking test was adopted and the results are shown in Table 4. As it can be seen, "cleanness of shelves", "neat arrangement", "relativity" and "presenting goods" components have had the highest effect on customers' purchase decision, respectively.

Comparison of reactions of two groups of respondents in merchandised and non-merchandised stores:

In order to compare ideas of customers in merchandised and non-merchandised stores, independent t-test was used. It is noteworthy that only the factors inside the stores can be utilized so as to compare the ideas of the groups. Therefore, the factors such as attendance of merchandiser, information signs and fliers have been separated.

As it is evident from Table 5, the obtained *t* values are bigger than those in the table (1.96). Therefore, it can be predicted that there is a significant difference between ideas of customers about effect of these factors on their purchase decision in merchandised and non-merchandised stores.

Analysis of the results:

- As it can be seen from the results (Tables 2 and 3), merchandising factors have positive and significant effect on purchase decision of customers for Farmand products with 95% probability.
- The obtained results about reasons of the respondents for shopping for Farmand products showed that none of the respondents didn't mention merchandising factors to be related to their shopping reasons and mentioned some other factors such as quality and etc. However, considering the findings of the present study about the effects of merchandising factors on purchase decision of customers, it can be concluded that merchandising has inevitably affected purchase decision of customers to speed up their decision making process on the basis of Stimulus-Organism-Response (S.O.R) framework. This is consistent with what Lin Thang & Boon Tan found (2003).
- The results obtained from the question about whether the customers entered the stores with previous decision to buy Farmand products showed that 72.5 percent of them entered without previous decision and they decided to buy Farmand products inside the stores (Table 1). This approves Farmand products to be less-involved products and that two third of purchase decisions occur inside the stores [8]. Also, in variety of consumers' decisions matrix, purchase decision for these products are placed in limited decision-making (or maybe instantaneous decision making). About these types of products, as Asael mentioned (1998), inter-store stimulators (such as inter-store advertisements, presentations and placement of products in shelves or their arrangement) have great effects on customers' purchase decision and to encourage them to buy the products and consequently, the products sale can be increased.
- The results obtained about the responses related to effect of attendance of merchandiser on purchase decision of customers (Table 2) showed that this factor has a significant relationship with purchase decision of customers with 95 percent probability ($t = 14.22$). It should be noted that most people considered this factor as being very effective on their purchase decision and they also announced the factors such as good manner of merchandiser, proper responsiveness of merchandiser to guide customers, visual neatness of the agent, quick handling for complaints by merchandiser, and full explanations by merchandiser while introducing products as important factors. This is consistent with the results obtained by Lin and Ten (2003) and Sharma and Staford (2000) who said that in-store services such as giving information about goods, responsiveness for customers' questions and guiding them about places of goods and etc have high influence on purchase decision of customers and bring about customers' satisfaction. This is also consistent with what Sajjadi (1996), Samavat (2002) and Ghaniabadi (2001) found. According to Friedman scoring, among the factors related to attendance of agent, the highest and lowest scores were given to good manner of the agent (8.89) and visual neatness of the agent (5.48), respectively. This indicates that customers pay more attention to good behavior of agents.
- The results acquired from the research showed that neat arrangement with good separation and good representation of products have significant relationship with purchase decision of customers ($t = 40.28$, 32.75) and customers have frequently announced the great effect of the factors. This is consistent with results of Stasen and Steid (1999), Stasen and Steid (1990), Amin and Kadent (2003), San and Tan (2003) and Ghaniabadi (2001). Also, according to Friedman scoring (table 4), arrangement (9.78) and goods representation (9.02) were the second and fourth effective factors on purchase decisions of customers, respectively.
- The results obtained about the effect of placement of Farmand shelves, informative signs about the place of shelves, and informative papers about the products on purchase decision of customers showed positive and significant relationship ($t = 17.09$, 15.33 , 19.98) (table 3). Among the allocated scores according to Friedman scoring (table 4), placement of Farmand shelves (6.22) and signs (6.44) had the lowest scores on purchase decisions of customers, respectively. In other words, other factors were more effective on purchase decision of customers.
- The results acquired from the study on effect of easy access to Farmand products in the shelves showed a positive and significant relationship ($t = 24.85$) with purchase decision of customers. What the present study found was consistent with that of Thang & Tan (2003).
- The results about effect of availability of all products of Farmand in shelves showed a positive and significant relationship with purchase decision of customers. The result obtained in the present study was

consistent with those of Sajjadi (1996) and Samavat (2002). Also, according to the ranking based on customers' responses, the factor is selected as being the third important factor affecting purchase decision of customers on the basis of Friedman ranking (the score=9.27). Farmand Company should pay attention to this factor during distribution of its products.

- The results obtained about fullness and cleanness of shelves showed a positive and significant relationship with purchase decision of customers ($t=36.18$ and 32.75). The result obtained in the present study was consistent with that of Grede (2002). Also, according to Friedman ranking, the factor is regarded as the first important factor affecting purchase decision of customers (the score=9.86). Farmand merchandisers should be very careful of the factor. They should order the products continuously in order to avoid emptied shelves.

Analyses of other results:

- In determining customers' response considering their gender, t-test was adopted. The results showed that merchandising factors such as arrangement, presentation and signs are more effective on purchase decision of males than females. This is rather inconsistent with the results obtained by Mittelstaedt & Stassen (1999) who concluded goods arrangement as one of the most important factors affecting purchase decision of housewives. The difference may be attributed to attention paid by Iranian males to appearances. No significant differences were detected about other factors among males and females.
- In determination of customers' responses according to their education levels, Farmand products customers from all education levels were found to have similar view points and no significant difference was detected in effects of various factors on the customers. This may be indicative of the fact that overall awareness of the consumers have increased and they consider all the factors in a same matter no matter they are illiterate or professor.
- Determination of the customers' responses according to their age showed that fullness of the shelves has more influence on purchase decision of the customers under-25 year-old than older customers. This may be accredited by higher attention paid by under-25 year-old customers to visual aspects such as fullness of the shelves and also by the higher excitement made by the factors. No significant differences were found in other factors in terms of customers' ages.
- Determination of the customers' responses considering their salaries demonstrated that effect of three factors (i.e. placement of shelves, signs, and fullness of the shelves) had more effect on purchase decision of the customers with a salary higher than 3000000 RI (around 250 USD). This may be explained by the fact that the customers with lower expenditure and salary are more sensitive to pay their money than those with higher salaries. In this regard, the study performed by Smith & Burns (1996) showed that formation and shape of shelves affect customers' understanding about products' price in grocery stores. Therefore, if the hypothesis that merchandising persuades the customers to think of the products as expensive ones is accepted, it should be noted that underclass customers pay less attention to merchandized products.

Recommendations on adoption of merchandising:

- Considering the importance of consumers in the present competitive market, the managers are advised to pay their most of attention to the factors affecting purchase behavior and decision of customers (both males and females).
- As two third of all purchase decisions take place in stores and considering the results obtained in the present study, stores managers are recommended to perform merchandising in their stores to boost their sales. Also, sales managers and marketing managers should consider merchandising factors affecting purchase decisions of their customers.
- Considering the importance of merchandisers' role in purchase decision of customers, managers ,while choosing their merchandisers, are strongly suggested to consider the factors like good behavior and enthusiasm of the merchandisers and other important factors from their customers' viewpoints.
- The managers are offered to pay most of their attention to cleanness of the shelves because of the importance of this factor in customers' viewpoint.

Table 1- purchase decision of customers

description	Merchandised stores		Non-merchandised stores	
	Number of customers	percentage	Number of customers	percentage
Pre-decided	33	27.5	44	36.7
Not decided	87	72.5	76	63.3
total	120	100	120	100

Table 2- customers' viewpoints about effects of merchandising factors

variables	Number of customers	Weight average of viewpoints	Standard deviation	t	Freedom degree	Significance level
Presence of merchandiser	120	3.96	1.12	14.22	119	0.000
Good temper of the agent	120	4.17	1.40	13.04	119	0.000
Proper responsiveness	120	4.06	1.41	12.14	119	0.000
Visual tidiness	120	3.43	1.43	7.11	119	0.000
Handling the complaints	120	3.89	1.51	10.09	119	0.000
Full explanations	120	3.85	1.52	9.72	119	0.000

Table 3- the respondents' viewpoints about effect of other merchandising factors

variables	Number	average	Standard deviation	t	Freedom degree	Significance level
Arrangement	120	4.6	0.57	40.28	119	0.000
Presentation	120	4.47	0.66	32.75	119	0.000
Placement of shelves	120	3.84	0.85	17.09	119	0.000
Signs	120	3.89	0.99	15.33	119	0.000
Informative papers	120	4.31	0.99	19.98	119	0.000
Easy access	120	4.23	0.76	24.85	119	0.000
Relativity	120	4.50	0.60	36.18	119	0.000
Fullness of shelves	120	4.05	0.98	17.39	119	0.000
Cleanness of shelves	120	4.57	0.69	32.75	119	0.000

Table 4- merchandising variables scoring

variable	Score average
Cleanness of shelves	9.86
Products arrangement	9.78
Relativity	9.27
Products presentation	9.02
Informative papers	8.79
Easy access	7.94
Presence of agent:	7.49
Good behavior of merchandiser	8.89
Proper responsiveness of merchandiser	8.35
Quick complaints handling by merchandiser	7.60
Full explanations by merchandiser to introduce products	7.48
Visual appearance of merchandiser	5.48
Fullness of shelves	7.38
Signs	6.44
Placement of shelves	6.22

Table 5- comparing two groups of stores (merchandised and non-merchandised)

attributes	stores	Number of customers	average	Standard deviation	t	Freedom degree	Significance level
Arrangement	Merchandised	120	4.60	0.57	30.73	238	0.000
	Non-merchandised	120	1.73	0.84	0		
Presentation	Merchandised	120	4.47	0.66	29.36	238	0.000
	Non-merchandised	120	1.66	0.81			
Shelves placement	Merchandised	120	3.84	0.85	10.03	238	0.000
	Non-merchandised	120	2.50	1.17			
Easy access	Merchandised	120	4.23	0.76	16.22	238	0.000
	Non-merchandised	120	2.39	0.98			
Relativity	Merchandised	120	4.50	0.60	20.68	238	0.000
	Non-merchandised	120	2.30	0.99			
Fullness of shelves	Merchandised	120	4.05	0.98	14.94	238	0.000
	Non-merchandised	120	2.25	0.89			
Cleanness of shelves	Merchandised	120	4.57	0.69	11.16	238	0.000
	Non-merchandised	120	3.31	1.02			

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