

Atmospherics in retail industry marketing essay



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The Indian retail market, is the fifth largest retail market globally, has been ranked as the most attractive upcoming market for retail sector investments. The retail trade share in the country's GDP (gross domestic product) was 8-10% in 2007 will probably reach 22% by 2010. Till today the share of organized retail in India is 5% which provides a tremendous growth opportunity for Indian retail business. It is estimated that India's overall retail sector will rise up to US\$ 833 billion by 2013 and by 2018 it will become US\$ 1.3 trillion, at a compound annual growth rate (CAGR) of 10%. Organized retail in India, which is pegged at around US\$ 8.14 billion, is expected to show growth at a CAGR of 40% to reach US\$ 107 billion by 2013.

Currently the FDI cap in Indian retail sector is 51% and therefore many of foreign players like Walmart, Merck and Spencer etc are making a foray

through joint venture. In cash and carry wholesale segment 100% FDI is allowed. According to industry experts, the coming phase of growth will to come from rural markets, as rural India accounts for almost half of the domestic retail market, which is valued over US\$ 300 billion. Rural India is all set to witness an economic boom, with per capita income growing by 50% over the last 10 years, majorly on account of rising commodity prices and improved productivity. Improved basic infrastructure, generation of employment through employment guarantee schemes, better information services and improved access to funding are also bringing prosperity to rural India. The rural market, product design will need to go beyond ideas like smaller sizes (such as single use sachets) to create innovative new products.

In fiercely competitive Indian retail market all the players are trying to attract customers to their malls, increasing the footfall and converting the footfalls into real sales volume. Connection with customers is essential for the success of retail business. The atmospherics of the retail store contribute significantly to those connections. Retail Atmospherics is a term commonly used to describe the manipulation of variable elements such as light, color levels, sound, scents and design within your store to positively influence the buying habits of the customers. Atmospheric changes to a stores environment will affect the customers mood or feeling for a retailer.

INTRODUCTION

While the term “ atmospherics” is only about 35 years old, the value of creating an inviting atmosphere for prospective consumers is not new. As early as 1946, Zimmerman was encouraging retailers to consider the atmosphere in which the consumer shopped. When retailing theory shifted <https://assignbuster.com/atmospherics-in-retail-industry-marketing-essay/>

focus from efficiency to consumer expectations, Zimmerman suggested inviting color and aroma would have an impact on retail success. Retailers were encouraged to making shopping a pleasure. And the rest is history. Modern retailers “ spend millions of dollars each year designing, building, and refurbishing stores”.

The term atmospherics has been described as the “ process of manipulating elements of the physical environment in an attempt to affect consumer behaviour”. Atmospherics include various sounds, sights, smells, feels, and tastes. The elements of the physical environment impact perceptions and impressions. The overriding concept is that people are more likely to buy when they are in a good mood and feel content. Consumers will stay longer, explore more and add more items to their cart when shopping is the environment which is enjoyable. It is an effective tool for creating value and gaining share.

With so many possible combinations of variables to create an atmosphere, choosing the correct combination to appeal to their target market is necessary for gaining customer loyalty. The appropriate atmosphere is, by its very nature, extremely dependent on the target consumer. What is a pleasurable and enjoyable environment for one person is not at all pleasant to others. Every effort has been concentrated on developing the model for creating the best combination of variables to create a favorable atmosphere. Unfortunately, consumers do not always respond favorably to a store’s atmosphere. If the positive side of atmospherics is loyalty, market share and increased sales, the other side of the coin might well be revulsion and loss of sales. Little to no research has examined negative atmospherics. On the <https://assignbuster.com/atmospherics-in-retail-industry-marketing-essay/>

surface, this is not surprising. Retailers work hard and spend millions of dollars to create an atmosphere which is appealing to target consumers.

Atmospherics research tends to operationalize the effect of one design variable of the retail environment on consumers' approach responses such as attitude, behavioral intention, and behavior toward a product.

Merchandisers are beginning to pay more attention to olfactory elements of the retail environment. Service and retailing organizations increasingly recognize that their outlets provide a powerful medium to build their firms' image, increase customer and staff satisfaction and lead to greater productivity. Various elements and forms of atmospherics such as lighting, colours, music, scents, and visual communications are employed by retailers to induce emotions in shoppers and to influence shopping behavior.

As the retail store continues to evolve from a simple sales outlet to an "interactive theatre" or "experience stager", the concept of atmospherics is receiving increasing attention as retailers are trying to make it a key differentiating point. Atmospherics can be seen as a marketing tool which affect the approach responses toward the store and the product by enhancing sensory and/or affective pleasure.

Introduction: In this stage, the product is launched into the market. The product entrance is accompanied by very high promotional costs to educate the potential buyer and induce product trial. Distributors have to be offered discounts higher than normal discounts for stocking the product and pushing its sale. Usually pricing is high because costs are high. Revenue from sales rise slowly. There is little or no profit.

Growth: The product earns acceptance by consumers and sales increase rapidly. Many competitors enter the marketplace. This further leads to improvement of product quality and promotion of brands by producers to differentiate their offer from that by competition. Some of the manufacturers may lower their price to beat competition. However, profits of individual manufacturers increases sales and rise rapidly.

Maturity: Sales flatten out. There is increased competition in the market. Manufacturers undertake niche marketing or target only a select group of customers in order to beat competition. Profits reach their peak and level off.

Decline: The demand for the product declines, at least from its initial form. Sales and profits dip accordingly. Many manufacturers withdraw from the market and many brands are discontinued.

Although the majority of products pass through all the foregoing stages, the speed at which they pass through the cycle depends on the nature of the product. The growth and maturity stages last for quite a long time for certain products while others may reach the decline stage quite early.

Current issues and trends in retail atmospherics

Atmospherics has been defined as “ the conscious designing of space to create certain buyer effects, specifically, the designing of buying environments to produce specific emotional effects in the buyer that enhance purchase probability”. The environment of the retail store does indeed have significant and measurable effects on shopping behaviors.

The environment created by retailers is a very important strategic variable. Major focus of the work in atmospherics is on consumer reactions to environments while the strategic value of their decision has largely been ignored.

In retail atmospherics spatial atmospherics play a critical role in shaping consumer behavior. E retailing has revolutionized the entire retailing format. In traditional brick and mortar retailing format the store atmospherics where customers can feel, touch products provide a fair idea about product to customers but in E-retailing there is no such scope, therefore the retailer has to design the interacting medium in such a way so as to provide a fair idea about the product and the tools used in this purpose are three dimensional design, using various color shade combinations etc.

Visual Merchandising is creating visual displays and arrangement of merchandise within a store to improve the layout and presentation. It also aims to increase traffic and sales. In present retail industry visual merchandising trends are constantly changing because of dynamic nature of retail. The challenge for retailers is to quickly adapt to the evolving requirements and desires of their customers. Visual elements in a retailing store have always been quite important in attracting and retaining consumers. But in the past, visual merchandising trends indicated that featured merchandising being used primarily to promote sale prices (End caps). End caps were and still are, used for this same purpose. However, two decades ago the visual merchandising trend was bulk stacking end caps promoting prices on single items. Today retailers often use end caps to promote new items and to inform customers of those items' specific

purposes or benefits. Normally a customer looks at a merchandise standing two feet away from shelf and he or she only focuses four feet of the display. In order to maximize the visual impact it is necessary to group complementary products together.

The following tactics are often used for attractive visual merchandising:

Displaying the sale products in a creative manner. The product display is built for products which are natural add-ons to the featured main product . This whole combination will improve attractiveness.

Use suitable lighting to feature products: Customers are attracted to light. Lighting can add an appeal to the products shine and make colors more prominent. Accent lighting builds visual interest for shoppers, and improves the visibility of the products to the customer. Once a product has acquired the customer's attention the probable odds for the purchase would be made are increased.

Change displays weekly: The weekly visual merchandising tip constantly reminds us that customers want to see genuine and innovative products. There is a mixed element of entertainment and education that customers feel when stores change their displays. Stores where displays are not changed weekly will have customers simply walking past displays. If the customers have seen the same end cap for the last six weeks, the displays are no longer appeals to them. These stores will not be able to reap the potential rewards of sales and can lose out to their competitors. So bringing freshness in visual merchandising is the key to the success of a retail store.

Color matters: This is the core theme to any visual merchandising plan. Color can demand a shopper's attention, evoke emotion and influence decisions. Visually painting in the retail store with colorful focal points will help draw shoppers to those key areas.

Merchandising themes: Grouping themed products together is a way to deliver powerful message. Theme merchandising is a interactive way to communicate seasonal activities and other information. Themes connect customers to projects or activities.

The modern trends in visual merchandising can be described as follows:

Tribal pattern in neon bright: Ancient patterns were seen all over, and they looked fresh with vibrant hues of brights. Today, saturated colors of wool felt can be paired with abstract patterns to represent trees, animal horns, mountains and the sun.

Clashing colour: Fuchsia with lime green, true orange with forest green, saturated red with sky blue, grass green with Caribbean blue, and goldenrod with bright purple are the latest colours used in making a visual merchandising attractive. Contrasting brights are slammed together creating high-key energy. The colors are clean, bright and sophisticated in their boldness.

Modern naturals: There is no more usage of raw, unbleached paper and rice-blaked background. The new naturals are about vibrant, colorful and simple presentations.

In retail atmospherics another very important factor is lighting design. Scientifically designed well lit store will attract more customers and increase the sales. Store lighting is quite critical today and is gaining more importance with time because of the aging population. Deteriorating eyesight adds to the difficulty to read labels and so, more difficult to make informed buying decisions. Depending upon the retail product offering, higher lighting levels communicate to this important spending group, (the aging population) and attract them more to the store. If the retail stores deal in general merchandise like hardware, grocery items then the lighting should be bright and should be on the top of spot to improve visibility. The lighting can be in the range of 75-150 candela. If the store deals in clothing or some gift, luxurious items then the lighting rule changes significantly. A lower ambient lighting level together with accent lighting can create a “ gallery” type atmosphere. This type of lighting coupled with classical lighting and aroma will create an atmosphere that will deliver the message for quality and exclusiveness.

New trend in retail atmospheric- Aroma

Apart from traditional components like visual merchandising, lighting, colour combination etc a new trend is gripping retail industry and that is the usage of aroma. Research on fragrance levels found that it can be contribute to increased comfort levels. Aroma in the retail environment will be concerned to more positive consumer responses in the retail environment. Shoppers liking of the aroma in the natural retail setting is perceived with the store image positively affected the length of shopping time, which, in turn, indirectly influenced consumers’ expenditure.

A study showed that 80% of men and 90% of women have vivid, emotion-triggering memories evoked by odor. Scents should be subtle and appropriate to their environment. The smell of fresh-baked chocolate chip cookies would be wonderful in a bakery or coffee shop. A retail industry that used visuals and music to attract consumers now hopes to spark the interest in their products through their noses. But companies today have many options provided to them by variety of devices for the sole aim of permeating their stores with a pleasant bouquet. Today the number of companies, aiming to attach aroma to their brand identity, is constantly increasing. Mall owners have made a careful study of how to use music, lighting and visual displays to put shoppers in a buying mood (2000, Joel Groover). Whether the goal is to enhance the overall environment or to sell a specific type of product, or to increase the sales of a particular store, the effect of fragrance is essential. Floral scents are thought to elevate mood, while peppermint promotes alertness, and lavender, relaxation.

A report in the Journal of Marketing found that pleasant scents or aromas in a retail environment: (1996, John Mc Donnell).

Improve customer intentions to revisit the store and to purchase.

Improve the perception of customers as to the evaluation of the store;

Improve the perception of customers as to merchandise and specific products;

Improve the perception of customers as to the store environment

Most of the retailers are extensively using aroma as a method to attract customers to the shop. Since customers eyes and ears are constantly bombarded with visual display and music, therefore scent is a direct way to touch the emotional chord of customers. Whichever way retailers decide to release the scents, a great deal of thought goes into choosing the perfect aroma. The cells in one's nose are actually similar to brain cells because pleasant odours can increase electrical and metabolic activity. With scents being so important, every retailer is customizing its signature smells. The aroma in the air could be quite subtle, but it evokes either a positive or negative reaction from the customer. As the use of aroma in one's retail store is a sign of progress in the sense that it increases the footfall and creates awareness in the mind of the customers regarding the store. As this atmospherics is very much prevalent in the Luxury Store but yet it need few years by the other formats to follow the same.

In a retail store for having a strong impact of aroma on consumer behavior, two factors need to be fulfilled. First, the use of a particular signature scent will lead to positive consumer response and strong aroma retail consistency will strengthen the positive consumer response.

Measuring the impact of retail atmospherics

Retail atmospherics play a crucial role in shaping consumer perception about retail store. The major parameters of measurement are as follows:

Sl. No.

Item to measure service setting

1

The design of the interior

2

The signage (noticeboard, nameboard etc.) of the interior

3

The noise in the interior

4

The music in the interior

5

The odour in the interior

6

The cleanliness in the interior

7

The lighting of the interior

8

The parking of the exterior

9

The billing statement

10

The uniform of the employees

11

The layout of interior

12

The signage of exterior

13

The landscape of exterior

14

The website of store

The study tries to establish a relationship between these parameters and overall customer perception about the store.

Regression Analysis

Model Summary(b)

Model

R

R Square

Adjusted R Square

Std. Error of the Estimate

1

.933(a)

.870

.731

.141

a Predictors: (Constant), Please rate “ The landscape of exterior”, Please rate “ The lighting of interior”, Please rate “ The music in interior”, Please rate “ The odour in interior”, Please rate “ The layout of interior”, Please rate “ The noise in interior”, Please rate the signage(name board, noticeboard etc) of interior, Please rate “ The design of interior”, Please rate “ The cleanliness of interior”, Please rate “ The website of store”, Please rate “ The signage of exterior”, Please rate “ The uniform of employee”, Please rate “ The parking of exterior”, Please rate “ The billing statement”

b Dependent Variable: How do you rate the your favourite store on overall store ambience

Coefficients(a)

Model

Unstandardized Coefficients

Standardized Coefficients

t

Sig.

B

Std. Error

Beta

1

(Constant)

3.609

1.564

2.308

.038

Please rate the signage(name board, noticeboard etc) of interior

-.022

.169

-.041

-.130

. 001

Please rate " The design of interior"

. 434

. 128

1. 004

3. 400

. 005

Please rate " The noise in interior"

-. 122

. 059

-. 429

-2. 070

. 039

Please rate " The music in interior"

. 007

. 081

. 019

. 088

. 052

Please rate “ The odour in interior”

-. 260

. 094

-. 601

-2. 755

. 016

Please rate “ The cleanliness of interior”

. 539

. 106

1. 278

5. 062

. 000

Please rate “ The lighting of interior”

-. 150

. 159

-. 302

-. 945

. 362

Please rate “ The parking of exterior”

-. 335

. 131

-1. 016

-2. 557

. 024

Please rate “ The billing statement”

. 261

. 149

. 920

1. 757

. 102

Please rate “ The uniform of employee”

-. 360

. 103

-1. 132

-3. 490

. 004

Please rate “ The website of store”

. 584

. 115

1. 757

5. 082

. 000

Please rate “ The signage of exterior”

. 044

. 127

. 107

. 346

. 035

Please rate “ The layout of interior”

-. 454

. 142

-1. 229

-3. 190

. 007

Please rate “ The landscape of exterior”

-. 072

. 088

-. 209

-. 817

. 029

a Dependent Variable: How do you rate the your favourite store on overall store ambience

Regression analysis gives the following equation:

Overall consumer perception= 3. 6-. 022*signage(interior)+. 434*design of interior-. 122*noise+. 007*music-. 260*odour+. 539*cleanliness-. 150*lighting+. 335*parking-. 261*billing statement- . 36*uniform+. 584*website+. 044*signage(exterior)-. 045*layout -. 072*landscape.

The most important parameters are website, cleanliness and parking facility. Retail outlets need to concentrate more on these attributes to improve image in the eyes of consumers.

Cluster analysis

Initial Cluster Centers

Cluster

1

2

3

4

Please rate the signage(name board, noticeboard etc) of interior

4

3

4

4

Please rate “ The design of interior”

3

4

4

4

Please rate " The noise in interior"

1

4

4

3

Please rate " The music in interior"

3

2

4

3

Please rate " The odour in interior"

4

2

3

4

Please rate " The cleanliness of interior"

3

5

4

4

Please rate " The lighting of interior"

4

5

5

4

Please rate " The parking of exterior"

2

3

3

4

Please rate " The billing statement"

4

2

5

3

Please rate " The uniform of employee"

3

2

5

3

Please rate " The website of store"

3

1

4

3

Please rate " The signage of exterior"

4

3

4

3

Please rate " The layout of interior"

4

3

5

3

Please rate " The landscape of exterior"

2

5

3

4

Distances between Final Cluster Centers

Cluster

1

2

3

4

1

6. 481

4. 189

3. 662

2

6. 481

5. 699

3. 968

3

4. 189

5. 699

2. 691

4

3. 662

3. 968

2. 691

Number of Cases in each Cluster

Cluster

1

2. 000

2

1. 000

3

13. 000

4

12. 000

Valid

28. 000

Missing

71. 000

In the cluster analysis four clusters are formed but only cluster 3 and cluster 4 are important because 25 respondents belong to these two clusters.

Respondents belonging to cluster 3 and cluster 4 have rated the parameters between satisfactory and excellent levels. These respondents form the satisfied strata of respondents. So most of the respondents are satisfied with existing atmospherics of their favoured store.

CONCLUSION

Indian retail sector is growing at a very rapid pace registering a growth rate of 9-10% per year which is the highest in the world. In India FDI is allowed in single brand retailing and in cash and carry segment. The big retailers like Walmart, Carefour, Metro cash and carry are entering India through joint venture route. Therefore retailers need to differentiate and retail atmospherics is the key to differentiation. Attractive retail atmospherics is improving the footfalls and also purchase size. Retailers are searching for optimum mix of visual merchandising, lighting, colors of store, store layout etc. to reap maximum benefit. In most recent development aroma is emerging as a distinguishing factor. Though the trend is restricted in premium segment but it will become next differentiating factor as other differentiating factors have already become common factor. Fragrance coupled with visual merchandising, lighting, colors of store, store layout etc can create a unique position for a store.