

Retail Therapy

POS advertising – Retailing's final frontier?



The ACRS
Thought Leadership
Series

Authored by
Catherine Nicolas

Published July 2007

POS advertising – Retailing’s final frontier?

How many times have you walked into your favourite clothing store and gone to make a purchase only to find the counter so full with impulse items that there is barely room to place your wallet down? Or been to the supermarket only to have to run the gauntlet of items fighting for your attention at the gondola ends and checkouts? Too often retailers focus on pushing items on consumers within the store environment with little concern as to whether these promotions are actually effective.

The importance of POS

All retailers know that properly planned and merchandised counter areas will increase business. It is therefore important to consider what image retailers want to have at that point of sale (POS), taking into account the customer journey, the brand positioning/store image and financial objectives. Point-of-sale displays should be viewed as an essential part of supporting and increasing sales rather than just a way to fill space or as a last-minute way to bombard customers with product.

After investing money on the important priorities such as merchandise, great location, staff, insurance, accountants, and advertising, carefully budgeted money can be lost if a retail store does not measure up to the customers' expectations (McIntosh, 2005). Posters covering the door and windows, hand lettered signs, lack of lighting and untidy displays send the message that a business is not serious. If a store looks like a bargain basement, customers will expect bargain prices and may draw the conclusion that a product is poor quality. This judgement may have little to do with the product itself, but be the result of poor presentation (McIntosh, 2005). Furthermore, POS is important because:

- People buy on information and facts, they can be swayed on an impulse, and are tending to be less brand loyal. However as stores get bigger and there is a growing lack of personal assistance for the shopper to aid them with ad-on purchases and inform them of alternate brands and options – in an environment without the resources for one-on-one customer service POS helps to fill this gap.
- With many regular shopping missions, such as grocery, people do their routine shopping somewhat “unconsciously”. They follow the same path and buy the same brand/flavour/size quite shut off from outside impulses. In this case the biggest issue for marketers is how to tap into the unconscious shopper, well-executed POS helps to snap customers out of this routine.

Point-of-purchase promotions have been found to have a significant influence on consumer shopping behaviour. While many shoppers have brand preference for numerous products, they are not brand insistent or even brand loyal for a large majority of products that they purchase. For example, individuals who have a brand preference may decide to try a new brand if there is an out-of- stock situation for their usual brand, or if there are sufficient POS advertisements inducing them to switch. POS displays that help to reinforce consumers' decisions in a positive direction are extremely valuable to the retailer.

In fact, Point-Of-Purchase Advertising International (POPAl) reports that as much 75 percent of buying decisions are made in-store. Some experts even go as far as to say that ninety percent of purchase decisions are made in store. Where purchase decisions are low-risk, nearly all decisions can be made in-store. As John Duncan, director of FieldForce, says: "In-store you're talking to a highly targeted audience right at the moment when they're about to make their decision". Merchandising and promotion around the POS area is particularly important because it represents the final opportunity to entice them to buy products. And, if planned correctly, it can be one of a store's most profitable areas – however only about five percent of marketing spend goes on in-store advertising and promotions.

The negative side of POS

While the retail environment is ideal for the communication of marketing messages, it is also a limited space where aggressive marketing can detract from the quality of the shopping experience. Forests of POS material confuse shoppers and may lead to a negative reaction. Particularly given that the public's attitude towards advertising has turned more negative in recent decades. The reasons cited include the rise of consumerism, perceived deception, offensive stereotypes, and an increasing amount of advertising (Ogden and Ogden, 2005).

The “boredom factor” – where customers perceive everything as looking and feeling the same – is also leading to a negative reaction to POS as consumers are fatigued by seeing the same sorts of POS advertising in every store. This sense of boredom is largely due to continued retail consolidation, which has brought with it an enormous amount of homogeneity to shopping centres and street locations. Today's consumers want the shopping experience to offer something new and unique, be stimulating and self-validating. If your POS is not unique and interesting it will not draw the attention of shoppers and they will simply filter it out and your best chance of making a sale (and your marketing dollars) will have gone to waste.

Perhaps though, the biggest reason for the growing frustration with POS is “information overload”. Through an increasingly pervasive digital media consumers are seemingly bombarded with information 24 hours a day. Further, as the human mind gets ever more crowded, it’s ability to filter out information gets better (Farr, 2006). As a result of this, consumers are finding that their ability to concentrate on incoming information is limited and, as such, they have become more selective in their watching, thinking, and listening – ignoring anything that does not immediately appeal to them (Wesely-Clough, 2006).

Anecdotal evidence suggests that too much clutter at register can have a detrimental impact for this reason. Specifically, advertising is excessive when it constitutes noise (i.e. clutter). The consumer must distinguish meaningful demands on his attention from the surrounding sea of noise that washes over them constantly through all the mass media. Since non-commercial and commercial signals are mixed, consumers incidentally encounter many ads. If these ads are undesired and if they hinder a desired signal, noise (clutter) increases. Unwanted signals make a communications channel less efficient. However not all ads constitute clutter. For example someone interested in buying a new mobile telephone would not consider POS ads related to this product category as “clutter” – however someone with no interest in this product category would (Speck and Elliot, 2004). The key is to know which product categories have the highest levels of interest among *your* customers.

The effectiveness of point-of-purchase advertising depends on an understanding of the customer and their in-store behaviour. With their understanding of retailing, point-of-purchase specialists can motivate and provide meaningful cues to customers, resulting in increased sales. Because consumer decision making may be brand- or product-specific, it is recommended that brand marketers who utilise POS tactics design and implement research to study specific behaviours of their target market.

Improving the POS situation

Given the impact that it can have, it is quite surprising that for most retailers POS merchandising is a hit-and-miss affair rather than the science it should be. While most retailers do start out with a formal merchandising plan and guidelines for POS over time, these plans can become overrun by an obstacle course of ever-changing fixtures, merchandise, signs and displays which leads the customer to feel more like a mouse in a maze than a valued guest. Customers despise feeling trapped in a store, and if they cannot circulate easily through the store without being bombarded with POS, they will not take the opportunity to buy (Cumberland, 2005).

Without an integrated policy on POS in-store, the environment will become increasingly cluttered, making it more difficult for staff to keep to compliance targets, and harder for shoppers to navigate the store and complete their purchases. With the growing importance being placed on the “in-store experience” compliance is an issue increasingly on retail organisation’s minds. More than ever there is a drive to ensure that retail outlets present the one image, reflect the retail brand and provide comparable levels of offers and marketing at the check-out. According to POS experts the biggest impediment in their sector they will give the same answer: retailer compliance. Working in conjunction with Storecheck Marketing, POPAI has evaluated compliance levels in various retail channels over the past three years. The overall compliance rate has fallen slightly to 65 percent.

When it comes to getting shop managers and staff to properly comply with a new piece of POS material this presents numerous challenges. Store staff have other things to do, and unless something is pushed by management it will not feature on top of their “things to do”. There are a number of things that can be done to improve compliance, these include using merchandising teams, keeping the physical format simple for store staff to use, if stores need to build displays themselves then the material needs to be delivered on time and with clear instructions, and ensuring that the POS fits in with the overall store environment.

To improve compliance retailers are also making the transition to in-house control of POS marketing. In the US and UK retailers are seeking to control the heavily communicated in-store environment to minimise clutter and impose some uniformity. In a recent survey of top retailers, conducted on behalf of POS design specialist Bezier, 69 percent of the store groups that responded said their POS was now managed centrally. The last time the survey was conducted in 2000 the figure was 55 percent. According to Bezier retailers want to exert greater control over POS material in store because unrestricted deployment of POS displays and advertising makes stores look untidy, and can confuse consumers and put them off their purchasing stride. Many stores have now instituted strict guidelines to avoid such visual clutter problems.

One retailer that is doing just that is ASDA. Head of in-store communications Sarah Fothergill says: "I always tell companies that for us the Asda brand is the biggest brand in our stores. We're brand managers too". Asda has strict guidelines on POS materials, and expects brands and agencies to adhere to them. "If we let every single brand do what it wants, we would look like a brand store, not an Asda". Taking it one step further, the majority of POS

material deployed in Asda stores is created in-house – brands must go through ASDA creative agency and have their material printed by their printers.

POS is a two-way relationship

POS is not just about satisfying retailer and manufacturer goals – it should include some consideration for the customer. Retailers should ask themselves is this POS enhancing or detracting from my customer's experience? Is it helping to inform purchase decisions or is it seen as "clutter"? Does the POS add value? Is the POS consistent with what customers expect from our store?

There are a number of areas that retailers should be mindful of when developing a POS plan. The first is that they remember that the counter's first function is to close sales. Expediting that process is first and foremost and too much clutter will distract and aggravate customers. A properly placed and visually planned merchandising approach will make the shopping experience easier and expedite the entire process for customers. No customer likes a counter they can lean on or an aisle so full of POS it is seen as messy and cluttered.

Baring in mind what consumer's purchase is also important when developing effective POS displays – they should be developed based upon the types of products being featured. For example, services are very intangible, so POS displays for these products should provide some types of tangible "add-ons." The unisex hair boutique may offer reduced prices on related products such as shampoo or hairbrushes. The POS displays may also provide "evidence" that the new hairstyle (just purchased) is popular, by placing pictures or testimonies of supermodels on/in the display. Major differences also exist with convenience, shopping, and specialty products. Convenience products, such as staples, impulse, and emergency products, must be displayed and sold based upon convenience, value, taste/quality, and intangibles (it will make you happy or feel good).

Developing effective POS displays also depends on the consumer's experience with the service or product, the cost of the product, and the amount of information the consumer must gather to make an educated and effective buying decision. For example, should the consumer need or want a product he or she is unfamiliar with, and which is on the expensive side, the POS planner must provide significant amounts of information about the product— information that is important to the buyer. For consumers who wish to purchase a product they have had experience with, the task of the POS planner is to excite them to action by reminding them that they liked the product the last time they made a purchase. For shoppers

that know what they want and may already be planning the purchase, the opportunity here is to increase the quantity or frequency of the purchase.

It is critical to keep in mind the importance of traffic flow. If products or fixtures are placed on or near the checkout counter, customers must still be able to see and reach the main counter easily. Further, the fixtures should allow ample space for shopping trolley, and should not be placed so high that employees or customers cannot see over them. Attention to placement is extremely important with multiple-lane checkouts so customers can also view a portion of the gondolas in the next lane that may contain other products of interest to them.

Inappropriately positioned POS is almost always ignored so placement is fundamental to success. Line of sight is particularly important when looking at promotional pieces. Research by ID Magasin shows only three percent of shopper fixation is on hanging POS material, while 55 percent is on shelf-edge support. Also ensure that communication is located where people actually look, i.e. not high up above their heads - shoppers tend to gaze 20 percent lower than their actual eye level.

Siemon Scamell-Katz, chairman of shopper behaviour researcher ID Magasin, blames the wrong location for a lot of wasted POS expenditure. Placement needs to be around shopping missions. If the POS is not located where shoppers are in the right mode to receive it, they will not see it. ID Magasin's research has found shoppers switch from "location" to "shopping" mode as they walk around a store. During location mode they are subconsciously asking "what do I need and where is it?", while in shopping mode they are ready to make purchasing decisions. Promotional displays sited where shoppers are likely to be in location mode (i.e. at the store entrance) therefore fail to deliver high on version. Retailers must not forget that it is about understanding their customers and how best to integrate their POS with customer mind-set.

Conclusion

Never before has the importance of the in-store retail environment been so elevated in the minds of both marketers and retailers. The dynamic nature of retailing has created conditions whereby traditional marketing and advertising has diminished in effectiveness. It has become increasingly difficult to satisfy customers, whose expectations are higher and loyalties more transient. Consumers have become progressively more selective and informed and have higher expectations of the standard of retailing owing to unprecedented levels in competition,

and thus the greater range of retail activities and representations which are offered to the consumer (Thatcher, 2006).

Today's consumer has many choices when it comes to making a purchasing decision across all product categories. Regardless of the uniqueness or other distinguishing qualities of a product and/or service, retailers must set themselves apart through effective store presentation (Maier, 2004). The challenge is to create and maintain an inviting atmosphere that will encourage the customer to enter and make a purchase decision (Retail Council of Canada, 2006). Whether using banners, counter cards, interactive computers, in-store television or radio, temporary signs, or shelf talkers POS must be based on a thorough knowledge of the customer base and the customers' particular buying habits. The POS area must not be viewed as "cluttered", boring or as interfering with the customer journey.

In today's competitive retail environment, a retailer cannot afford to consider POS as an add-on. Retailers must continually question their POS' suitability to their customers and whether they are delivering maximum return for both the retailer and the customer. They must remember that it is a two-way relationship and wrong executions may have a long-term detrimental impact.

About the author

Having worked in retail for many years at the shopfloor level, Catherine has always been interested in the effect of POS on customer purchases. She has seen many great POS executions but even more failed attempts and is keen to see Australian retailers starting to address this issue. At the ACRS, Catherine's key role involves jointly managing primary and secondary research for commercial clients on topics ranging from consumer trends to benchmarking human resource practices within the retail industry.



About the Australian Centre for Retail Studies

The Australian Centre for Retail Studies provides research driven education to those involved in the retail sector through broad based research and information generation, management education programs and the promotion of retailing as a career.

As a commercial centre within Monash University's Business and Economics Faculty and Department of Marketing, the ACRS is a bridge between the academic and the commercial retail worlds, enabling clients to access resources and knowledge that may not be otherwise available to them.

The centre engages in the following areas of activity throughout Australia, New Zealand, South East Asia and Asia.

- Management development programs
- Presentations, conferences and seminars
- Retail research, reports and publications
- Study tours

The ACRS builds skills, knowledge and understanding at all levels of management from first line appointees to CEOs; because of its unique retail focus the Centre offers advantages over other general management training providers.

Enquiries

Please contact us if you have any enquiries about Retail Therapy or the centre itself. Also if you would like further information about this paper or contributing please feel free to contact **Jeff Rogut**.

Contact Details

Telephone: +61 3 9903 2864
Email: jeff.rogut@buseco.monash.edu.au
Facsimile: +61 3 9903 2099
Website: www.buseco.monash.edu.au/centres/acrs
Mail: PO Box 197, Caulfield East, Victoria 3145, Australia
Address: Level 6, S Building, 26, Sir John Monash Drive, Caulfield East, Victoria 3145, Australia