

Success Factors of Shop-in-Shop—An Empirical Analysis at the Example of a Domestic Appliances Manufacturer

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Abstract: Distinct positioning in a saturated market requires both, attractiveness for targeted customers and differentiation from competitors (Schmitz, 2009; Trommsdorff, 2009). Due to ever more perceived product homogeneity sole product differentiation does not suffice nowadays (Diehl, 2004; Schmitz, 2009; Maloney, 2007). Brand manufacturers additionally invest in brand-building distribution instruments such as shop-in-shop (Görg, 2010; Esch, 2005a). The rising costs for such concepts require the identification of specific factors ensuring economic success. The purpose of this paper is to define theoretical success factors of SiS and a research design which allows a feasible and qualitative empirical analysis of such factors. Having applied this research design for one selected domestic appliances manufacturer, this paper will present essential results.

Key words: shop-in-shop; retail; success factors; purchase intercept technique

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1. Introduction

POS marketing comprises all efforts that are taken to support sales in stationary retail and to foster brand and store loyalty (Hunstiger, 2001). In stationary retail customers more and more frequently come across the POS marketing instrument shop-in-shop (SiS). In the 1970s Porter (1973) has already identified an association between perceived product quality and the image of the retail store presenting the product. Increasing investments in POS presentation and experience orientation in retail store design underline that this transfer of customers' perception has been recognized by retailers as well as manufacturers (Dräger, 2011).

Following the idea of integrated communication programs, SiS is defined as a visually and/or spatially separated sales area of a retail store within which products of one brand are exclusively offered in the corporate or brand design (Byszio, 1995; Jerath & Zhang, 2010; Kotler, Armstrong, Wong, & Saunders, 2008; Medla, 1987; Berekoven, 1995). While in traditional channels the retailer acts as a gatekeeper for the brand presentation, a SiS designed by the manufacturer degrades the retailer to a mere gate opener (Maloney, 2007). SiS operators aim for increasing customer attention for the presented products, influencing customer behavior in a way desired by the operator—especially cross-selling—and proposing additional value to the customer by providing an exceptional shopping experience (Medla, 1987; Pracht, 2001; Hunstiger, 2001). The purpose of a presentation in the corporate

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or brand design is to reinforce a customer's brand experience which is supposed to be the basis to a stable relationship (Maloney, 2007; Esch, 2005).

Reviewing literature for SiS, it is noticeable that respective publications are porcupined with several different terms referring to this concept as well as that most of them lack currency. Inferring from this scientific status quo, the topic seems to be long-since familiar but at the same time neglected nowadays. Yet, recently success factor research for SiS gains importance for brand manufacturers. Facing more and more followers, manufacturers with implemented SiS concepts have to meet the challenge of balancing cost and profit of outstanding POS designs. More followers require more impressive SiSs to attract customers' attention. Hence, the paper's research question is how SiSs can still be operated economically.

2. Success Factors of Shop-in-Shop Concepts

The purpose of success factor research is to endeavor regularities or variables in the company's sphere of influence that are effective in augmenting its success (Ahrholdt, 2010). The outlined success factor research for SiS is focused on the customers' perspective in order to obtain differentiated information about the effect of such factors on customer behavior. Its relevance is underlined by Gómez, McLaughlin, and Wittink (2004, p. 266) by pointing out that "[d]ifferences in the 'shopping experience' between retail outlets ... are often as important to the customer as differences in the physical characteristics of the goods offered" An impact on customer buying behavior allows for inferences about the economic success of a SiS. All in all ten success factors were derived from SiS-specific literature as well as theoretical research approaches generally conducted in stationary retail.

A SiS's location refers to its internal position in the overall retail store and is thus connected with considerations about differing value of spaces (Medla, 1987; Gretz, 2000). The success factor reachability refers to a customer's orientation in the retail store which is recommended to be enhanced via in-store guidance systems (Gretz, 2000; Pracht, 2001). First and foremost, both these factors are crucial for customer frequency within a SiS (Dräger, 2011; Byszio, 1995). Also defined as success factors due to their impact on customer frequency are a SiS's entrance and display stand layout. Customers are more likely to attend retail stores if these are associated with openness and spaciousness (Gretz, 2000). This research result can also be applied for SiS entrances which in retail reality are frequently formed by display furniture (Gretz, 2000; Berekoven, 1995).

Furthermore, stemming from its relation to a customers' perception of quality in a product presentation a SiS's furnishing is another success factor. Most successful shall be a SiS design in which the emanated visual stimuli—conveyed by the furnishing and layout of the SiS—pull external customers into the SiS and support the ones already in the SiS area in their buying intention (Medla, 1987). A research result concerning furnishing is that design aspects of a store have an impact on "the perceived stress involved in shopping" (Baker, Parasuraman, Grewal, & Voss, 2002, p. 136) which can positively affect customer satisfaction.

Further factors being identified as influencers of customer buying behavior are the SiS size and portfolio. The former factor is dependent on the number and size of products to be presented on the SiS space. Customers' requirements are met, if a SiS covers enough space to be recognized as an individual sales area and if this space allows a spacious presentation of a desired amount of products (Berekoven, 1995). The portfolio refers to the assortment's depth and width as well as the choice of models from each product type or category (Byszio, 1995). Lam and Mukherjee (2005) justify a wide product range that is required for cross-selling by stating that a well-coordinated shop presentation may have a positive influence on the evaluation of the single product, the

store's image, the customer's buying behavior and final sales outcomes.

Additionally being identified as relevant for a SiS's economic success is the factor product information. Visitors can gather information either via personal contacts with sales staff or via product information carriers being attached to the product or display stand (Turley & Milliman, 2000). Besides the required "concrete information about durable goods" (Puccinelli et al., 2009, p. 21), the provision of emotional background information follows the trend of experience-oriented shopping and is therefore recommended (Schmitz, 2009; Hurth, 2006).

The necessity of social interaction with sales staff—chiefly for brand manufacturers—is underlined by the theory that customers only hardly perceive a difference between sales staff provided by a manufacturer or a retailer. It is reasoned with the widespread consumer belief that "salespeople [...] are the firm" (Goff, Boles, Bellenger, & Stojack, 1997; Diller & Goerdts, 2005, p. 1212). Maloney (2007) confirms a positive correlation between retailer or sales staff satisfaction on the one side and product or manufacturer contentment on the other. Besides a functional value, the counseling session also entails the benefit of conveying emotional attributes of a brand via social interaction (Kuß & Schuchert-Güler, 2004) and is therefore defined as a success factor of SiS.

The relevance of experience orientation for brand manufacturers stems from the fact that most decisive differences between brands of the same product category are perceived in differing experiences rather than features (Weinberg & Diehl, 2005; Schmitz, 2009). For success factor research experience orientation is narrowed down to atmosphere which is the sum of environmental cues—both tangible and intangible—causing and influencing an individual shopping experience (Berekoven, 1995; Puccinelli et al., 2009). A store atmosphere emerges from a combination of several other success factors such as lighting, colors and music and is individually experienced either consciously or unconsciously by each customer (Sirgy, Grewal, & Mangleburg, 2000; Berekoven, 1995). The importance of atmosphere for economic success in retail is pointed out by several research studies revealing an effect on resting time and spending among customers (Babin & Attaway, 2000; Donovan & Rossiter, 1982).

Field research in form of an empirical analysis has to be applied in order to scrutinize the success factors' applicability as well as their relevance for economic success in reality. Due to a lack of differentiated perspectives on the derived success factors the following two hypotheses are taken as basis to the empirical investigation:

H1: The SiS presentation influences customer buying behavior in favor of the presented products.

H2: All derived success factors are of the same importance for influencing customer buying behavior.

3. Research Methodology

Given a lack of information regarding the customers' perspective on SiS, a concept for primary research is inevitable to answer the question which factors of SiS contribute to its economic success (Schiffmann, Kanuk, & Wisenblit, 2010). Having this sufficiently defined research question, available research methods are observations and surveys (Malhotra, 2010).

The research design is supposed to shed light on customers' perceptions, attitudes and behavior in order to make inferences about the influence of success factors of SiS. According to Kroeber-Riel, Weinberg and Gröppel-Klein (2009), surveys are applicable in consumer behavior research assuming that with a certain extent of activation consumers are able to remember their response to certain stimuli (Silberer, 2009). This argumentation complies with Büttner's (2009) recommendation to support the requested memory performance about a store visit

with a research situation providing as many stimuli of the situation to be remembered as possible.

Observations are independent from the customer's level of activation since the observable behavior does not have to be reproduced by the customer to be captured (Schiffmann, Kanuk, & Wisenblit, 2010). This method is used to obtain information about customers' in-store as well as handling and information behavior (Berekoven, Eckert, & Ellenrieder, 2009).

Considering these aspects of consumer behavior research, the **purchase intercept technique** (PIT) is an expedient way of obtaining the needed information. The PIT is a combination of both discussed descriptive research instruments consisting of an in-store observation and a follow-up face-to-face survey (Aaker, 2011). The research instrument is applied in a specific shopping situation in which—immediately after being observed—the test person is intercepted (Aaker, 2011). Supporting the recall with still being in the same surrounding and a minimum delay between experience and measurement is the only way of obtaining valid information about customers' shopping perceptions (Silberer, 2009).

Moreover, a high involvement is accompanied by a more conscious perception of stimuli and an enhanced ability of remembering shopping activities and perceptions (Puccinelli et al., 2009; Büttner, 2009; Salzmann, 2007). Customers are highly involved in the purchase of a comparatively expensive products, durable consumer goods or products that reflect personality (Rossmann, 2008; Esch, 2005b). In general, this research design is thus supposed to be more valid for SiS concepts meeting the requirement of high customer involvement. For SiSs in the domestic appliances retail this prerequisite is supposed to be met.

In further reference to quality criteria, a blend of two research instruments increases validity. A replication of survey questions in the observation, for instance, allows for validating variables being obtained in the interview with observation results. External validity is provided via in-store application which reflects reality and thus allows for a transfer of results to the investigated population (Silberer, 2009).

Applying this research design for one selected domestic appliances manufacturer, 13 SiS locations all over Germany are sampled using a quota-sampling procedure factoring in different trade channels. For the analysis of the hypothesized influence of a SiS presentation on customer buying behavior Lickert statements are included in the survey. These statements refer to the SiS's influence on each of the stages in a buyer-readiness model (Kotler, Armstrong, Wong, & Saunders, 2008). The very detailed design of observation and survey questionnaire requires to only intercepting customers who actually spent time within the SiS area. In a period of four weeks 89 questionnaires were completed.

4. Results

The frequency distribution of answers to Lickert statements in the survey first of all indicates that customers grant influence on their buying behavior to SiS. This influence is strongest in attracting attention, increasing customer resting time and making customers return to the analyzed SiS. The influence on buying consideration and conviction, however, is perceived to be limited. These results lead to the conclusion that the final buying decision is primarily based on the product itself. The answers were also tested for mean differences with t-tests for independent samples. The separating variable being used is the previous intention to look at appliances of the analyzed product brand. The only significant mean difference is identified for the statement that appliances of the brand were only taken into buying consideration after being in the brand's SiS. For those customers who did not have the intention to take a look at the brand's appliances the average answer is more positive towards a SiS

influence on this buyer-readiness stage. It can finally be inferred, that besides its general influence on initial stages of buyer-readiness, a SiS is especially influential among new customers. Yet, since some form of influence in favor of the presented products has been detected, the general impact of a SiS presentation on customer buying behavior as hypothesized in H1 can be accepted.

Outstanding importance and influence on customer behavior is detected for the factors location and reachability. The observation of customer walk ways and survey answers to the question of how customers reached the SiS area both reveal that these factors primarily account for customer frequency in the brand's SiS. The hypothesis H2 that all success factors are of the same importance can neither be rejected nor accepted. The result that two factors were identified as being very decisive for economic success may imply a rejection of this hypothesis. Yet, a final decision requires additional and more extensive research.

5. Conclusion

Applying the PIT to the SiS concept of one domestic appliances manufacturer in Germany, results with prevalence are the noticeable importance of a SiS's location and reachability for its economic success as well as the influence of the concept as a whole on the customers' initial buyer-readiness stages. For practitioners they imply to consider the two factors to a special degree when planning and setting up SiSs in order to ensure an economically successful operation. Additionally, a realistic approach towards the impact of a SiS presentation on customers' buying behavior is recommended. The results give point to restrained expectations regarding the economic success of more and more impressive POS presentations.

Yet, the results a whole should be considered with caution bearing in mind that they stem from an analysis that is limited to success factors of the customers' perspective. Moreover, the results are based on the study of one brand's concept only. Research on further SiSs—especially those of other product categories—is necessary to validate the outcomes of this first study. Besides an extended study on other brands, the already available data should further be used to take an integrated research perspective, analyzing the gathered information in combination with common key performance indices for retailing.

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