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DEPARTMENT OF RETAIL AND LOGISTICS MANAGEMENT

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THE IMPACT OF MERCHANDISE ASSORTMENT ON CUSTOMER RETENTION: A CASE STUDY OF VILLAGE SPAR

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The undersigned certify that they have read and recommended to Midlands State University for acceptance, a dissertation entitled:

"The impact of Merchandise Assortment on Customer Retention. A case study of Village Spar"

Submitted by Nyasha S Sikwila in partial fulfillment of the requirements for the Honours Degree in Retail and Logistics Management

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Dedication

I dedicate this research to my mother Alice, my sister Vongai, Samantha my aunt, Dr Reid and Kabeya family for the tremendous support throughout my educational journey.

Acknowledgements

First and for most, i would like to extend my sincere gratitude to my maker, the Lord Almighty for his unending love, wisdom and discernment that acted as light upon my feet throughout this research study.

I would like to thank my supervisor Mr Manjengwa for his guidance and advice throughout this study. If it was not for his patience, dedication and support, this study would not have been a success.

I want to thank also, my friends and classmates as they were my first education contact pole and critic panel at every stage of the project.

Finally I wish to thank all the Spar merchandisers, customers and management who took part in the data collection.

Executive Summary

The study was based on the impact of merchandise assortment on customer retention, the case study being Village Spar. The researcher was inspired to carry out a study on this topic, because she saw firsthand the benefits that lay with good merchandising strategies. However environmental influences have since seen the Village Spar facing challenges that have affected assortment size. Statement of the problem is given. The objectives that were governing the study were, to find out the importance of product assortment within a product line, to determine the influence of a brand name on purchasing decisions within a merchandise mix, to establish the importance of shelf space in retailing and to find out the importance of customer profile on product assortment. Like any other project, not all aspects will be in the control of the researcher. Time, finances and information conveyed pose as limitations. In order to achieve the stated objectives the researcher sought out the views of numerous authors so as to understand product assortment, the link between brand name and merchandise mix, shelf space and influence of customer profile on the store offering. An in depth review of literature from various authors was carried out. It was discussion oriented, thus giving a balanced point of view since authors that supported the notion and those that opposed were all meshed in one chapter. The researcher utilized both explorative and descriptive research to obtain both qualitative and quantitative data surrounding the problem in question. The research instruments that were employed were questionnaires and an interview. Haphazard sampling was used as a sampling method since respondents were selected based on ease and convenience. The sample elements consisted of 14 merchandisers, 1 manager and 30 customers who responded. In assistance was secondary and primary data as sources of data. The findings from the respondents were analyzed, described and presented using graphs, tables and pie charts. The response rate was 86%, which was translated as the results found being reliable. In conclusion based on the study and literature, assortment size has an impact on customer retention. This was supported by 87% of the customers who participated in the study were in agreement that they considered the stores assortment size before they patronized it. The study recommended that Village Spar carries' out a gaps analysis on its assortment on a regular bases at the same time being abreast with the ever changing global environment, consumer tastes and preference. Also being assortment intelligent through the use of information systems software which helps manage assortment. Through customer profiling the retailer can maximizing on building customer relations which assist in designing the assortment. A brands name defines the quality, price and the type of customer who will buy that product. Brand name is one aspect the retailer has to consider when defining his or hers assortment offering as it assists the customer in recalling and identification of the product. In as much as the retailer may want to carry large assortments, shelf space is one aspect in retailing that can be a limiting factor. In light of this careful shelf space allocation should be done. Areas for further study such as customer relationship were suggested as drivers of retention.

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Chapter 1

1.0 Introduction

This section of the research gives a background to the study and why the researcher was motivated to research on this topic.

1.1 Background to the study

The Village Spar

The Spar brand started with one Dutch store in 1932. In present date it is the world's largest food retail chain with over 12,000 stores in 34 countries across the globe. Spar is about people, family and the community. It is about passion, energy and drive. It's about community involvement and giving back. It is about REAL people making a difference'. Spar is unlike regular supermarkets chains in that it is run by independent retailers, as a voluntary trading organization, all being members of the Spar guild of grocers.

Out of Spar Zimbabwe was birthed The Village Spar supermarket in the year 2011. It is one of the flagship stores under the Spar franchise in Zimbabwe. Village Spar is regarded as one of the competing stores in the country, as it has the highest basket compared to the other Spars. The most contributing factor being that, it is located in the low density suburbs of Zimbabwe. In the beginning of the year 2016 ownership of Village Spar was transferred from Innscor to Yellowcob enterprise. A family owned enterprise under the leadership of an independent retailer Darren Lance.

Merchandise assortment

Merchandise assortment centers on the collection of the right product mix to carry in the store. It also includes promotions and special pricing. In order to be successful in the highly competitive environment of Retail, it is important to have a unique assortment. To improve the sales

opportunities, retailers are to make sure that the right product is displayed on the shelf and available for the customer at the right time. According to Ammar and Gutruiz, (2010) shelf management and inventory management are presenting a challenge for the organized retailers, as there are great difficulties in keeping product in stock because this is the time of the rapid pace of product innovation and short product life cycle, thus retailers must deal with the regular release of „new and improved" versions of different products. To ensure repeat customers and to develop a constantly growing loyal customer base, the retailers must convey a differentiated, consistent, and positive customer experience. Merchandise assortment planning involves measuring the assortment size through, length, breadth, depth and consistency. It also involves shelf space allocation, equating with assortment size.

In the early 90s, a research was carried out to find out the impact of merchandise assortment on customer retention. The findings showed that, no significant loss in sales was experienced after a reduction in the number of stock-keeping units (Drezel et al 1993). This was attributed to the fact that at that time competition was not as cut throat as it is in present day, so customers did not have that much choice in terms of number of stores to patronize in. Also variety in terms of products was limited as there were not too many products. Retailers remain hesitant to reduce assortments. One of the primary value propositions offered by many grocers is one-stop shopping; customers can find exactly what they are looking for without visiting multiple stores. Retailers fear that backing off from this principle could steer consumers to a competitor that continues to offer a broader product assortment. Simply put, many retailers fear assortment reductions erode customer retention. According to Arnold et al (1983) customers exhibit great interest for merchandise assortments or variety. Customers are attracted to stores that offer a wide product selection. This lure is not surprising as merchandise assortments offer significant process-related and choice-related benefits.

In the case of the Village Spar, trouble started when Zimbabwe's largest conglomerate by revenue, Innscor Africa Limited, set the scene for a major shakeup when it disposed its interests in the international business group's corporate stores pursuant to Innscor strategy, of focusing on core business (Phiri 2016). In an interview Terence Yeatman, Spar Zimbabwe managing director said "The Zimbabwean economy was too tough to operate in. Supplier payments were delayed due to the financial crisis the store was going through. As a result this affected merchandise

assortment. The disheartened suppliers would not supply to the store and thus the experienced stock outs".

The situation was later escalated by the recent ban of imports or requirement by Zimbabwe for import permits in a number of products such as cosmetics, cereals, coffee creamer and canned fruits and vegetables, among others, in June 2016 (Phiri 2016). The Village Spar imports most of its products from Zimbabwe's' neighboring country South Africa. The ban of imports or requirements for import permits also affected the store merchandise.

As many products were banned, shelves would be seen empty. Sales began to continuously drop, as the store did not have much variety to offer its customers. Variety was then limited to Zimbabwean products, which many viewed as expensive and (Phiri 2016).

The cash crisis also added to Village Spars' problems. According to the News Day April 22, 2016), the cash crisis affected volumes of retail transactions and suppressed the movement of goods. With the challenges of high tax charges and difficulties in accessing credit lines, the problems just kept mounting up. The introduction of bond note in the early stages seemed as though, the cash crisis would be eased. However since the notes were being equated to the US dollar, many foreign suppliers were a bit skeptical about its value. Some suppliers actually reject the bond note as payment and only want foreign currency. Of which the US dollar is scarce in the country. Retailers like Village Spar that import most of its products, were finding it difficult to trade with foreign countries and this affected product offering. The store did not have a wide variety of products to offer which negatively affected the stores performance.

1.2 Statement of the problem

The Village Spar is experiencing a low rate of customer retention due to its poor merchandise assortment techniques. Spar has recognized the potential that lays in good merchandising features which are: assortment breath, depth, length and consistency. It was upon this benefit that

the researcher finds it necessary to investigate to what extent merchandise assortments influences customer retention and find ways to curve problems faced.

1.3 Research objectives

1. To find out the importance of product assortment within a product line.
2. To determine the influence of brand name on purchasing decisions within a merchandise mix.
3. To establish the importance of shelf space in retailing
4. To determine the importance of customer profile on product assortment.

1.4 Research questions

1. How does assortment size affect customer retention?
2. Do customers prefer one stop shopping?
3. How do customers perceive choice?
4. What does the retailer consider when determining the size of in store assortment?

1.5 Significance of the study

The research will be of great significance to the variety of stakeholders as it seeks to point out the results of merchandise assortment.

1.5.1 To practice

As the research is based on problems that The Village Spar is facing, the recommendations arrived at, will help it improve on overall company performance and operations. It will also help bring an appreciation of the subject of assortment, its importance to the retail industry and use it as a tool to gain competitive advantage in this very competitive retail environment.

1.5.2 To theory

The research aids scholars to get an understanding of research and where possible to provide gaps for further study of the topic. New concepts and ideas can also be developed through this research.

1.5.3 To research

The research will help the researcher enhances her intellectual abilities and gain a deeper understanding of merchandise assortment and its importance. It also helps the researcher sharpen her diagnostic skills which she will carry into the business world. Above all the research will be carried out in partial fulfillment of the Bachelor of Commerce Honors Degree in Retail and Logistics Management at Midlands State University.

1.6 Limitation

- The interviews to be carried out may not disclose fully some information as it is deemed confidential.
- The time span allocated is insufficient to cover all the necessary expected details of a viable project of this nature.
- The research project is liable to statistical errors when collecting data.

1.7 Delimitation

- The main focus of the research will be on merchandise assortment and its impact on customer retention.
- The research will be carried out from February 2017 to May 2017
- The customers, floor merchandisers and manager of Village Spar are the respondents.
- Literature scope is objective based.

1.8 Chapter summary

This chapter has focused on the general introduction of the Village Spar and the description of the research problem. The objectives in which the research will be based, research questions, significance of the study, limitations delimitations of the study on are highlighted.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter provides a summary of researches previously done. Literature review will allow the reader to have an in depth exploration of views of other authors regarding merchandise assortment, customer retention and their variables. The researcher under this chapter will identify factors that other researchers suggested would influence customer retention. Clear definitions and explanations of assortment are also highlighted, to give the reader a well pronounced understanding of the research topic.

2.1 Assortment

Assortment is traditionally defined as the number of products offered within a single product category (Levy and Wertz,2001). Bhasin,(2016) also defines product assortment as the different types of products that a business makes or a retailer offers for sale. Product assortment and product mix can be used interchangeably, as the two mean one and the something. Product assortment can be characterized by width, breadth, depth and consistency   A product line is a collection of individual products that are closely related (McGraw Hill, 2004). These products may be related in that they perform the same functions, are sold to same type of customer, fall within the same price range and are promoted in the same way. The importance's of product assortment within a product line are that of liberty of choice, increase of sales, access to information however there are so many costs the retailer may incur.

2.1.2 Choice

Product assortment within a product line is important because, consumers have the liberty to choose from a wide variety of products of the same nature thus increasing customer satisfaction. Wide and deep assortments give the customer a sense of freedom. Consumers have the liberty to

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choose from a wide range of products within the same category. Consumers express a desire for assortments and are drawn to stores that offer a wide product selection (Arnold, Oum, and Tigert, 1983). Larger assortments award several benefits to those consumers that are engaged in the process of choosing. The level of complication associated with differentiated or unique items provides stimulation that is inherently pleasing (Broniarczyk S, 2008). This stimulation is likely to be desirable for individuals with high optimal stimulation levels or consumers who derive pleasure from the shopping experience. A plethora of options may also increase the anticipation of choosing (Mottola and Utkus 2003)

Koelemeijer, (1999) also adds that, it has been shown that an increase in the variability of the options' attractiveness will lead to increased decision certainty, decreased confusion, and higher choice satisfaction as well as increased overall purchase probability. Chernev, (2012) also states that, 'the basic view that perceived variety is a function of merchandise assortment size is fairly straightforward: Larger assortments tend to be perceived by the customer as having greater variety', thus the greater the variety the larger the choice for the customer.

Schwartz, (2004) argues that, a large assortment and choice does increase the chances of a customer to make a purchase but it requires a lot of time and effort on the consumers' part in order to locate the needed product. Chernev (2012) also agrees with the notion that large assortments need more time and efforts to evaluate and judge on the benefits and costs of every single product within that product line. As a result the customer may find it tiresome and end up just picking any product for the sack of buying and not for satisfaction. Some customers may find it too over whelming to the extent that the opportunity cost of leaving the product, is greater than taking time to select then buy the product. That is making walking away from the purchase a preferred choice (Iyengar and Lepper 2000).

2.1.3 Company performance
Product assortment within a product line is important because, it generally increases sales. The purpose of merchandising is to seal or lock the sale after advertising campaigns have brought customers into the store. Good merchandising helps in making the selling process simpler, boosting the buying experience for consumers frees up the time of consumers and drives sales

growth (Chernev, 2012). Bezawada et al (2009) also adds that higher sales could be attained by the retailer through keeping their shelves fully stocked.

Product assortment within a product line is also important because it increases the chances of a customer to make a purchase which will increase the store sale (Chernev, 2012) .This is because if a customer was not able to find their preferred choice, he or she can get an alternative to their choice within the category and same store. Unlike if an alternative was not present, the customer was simply going to walk out of the store without making a purchase. This will then cost the retailer in terms of sales, which will later be translated into profits. The bigger the numerical options within a product line, the higher the chances that a consumer may find an option that matches their purchase intentions. According to Willy (2012), product assortment is important within a product line because it gives the consumer a chance to express their individual persona.

2.1.4 Company image

A wide and deep product assortment benefits the retailer in that; it helps the retailer to build a good image in the eyes of the customer. This is in the sense that, since the customer knows that when the store has a wide assortment, the customer will have a bigger pool to choose from and the likelihood of getting what they want is higher. Store image and satisfaction with the store is affected by the perceived store assortment (Anselmsson, 2007).

2.1.5 Perceived Variety

According to Chernev (2012) actual assortment variety may affect consumption quantities in many ways. The first suggestion is that, actual variety influences perceived variety (which is a proximal). Then perceived variety in turn increases anticipated consumption utility (which is a distal mediator), and that anticipated consumption utility in turn increases consumption quantities. Secondly, Chernev (2012) adds that perceived variety serves as a benchmark that consumers use to gauge how many items should be consumed or consumption rule. When an alternate consumption rule is made salient such as the size of the assortment. The more salient rule should then have a stronger effect on consumption quantities. Further, he proposes that

structural aspects of the assortment, such as organization or symmetry, moderate the effect of actual variety on consumers' perceptions of variety.

Figure 2.1.5 How assortment structure influences perceived variety.

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                          ┌─────────────────────────┐
                          │ Consumption Rule        │
                          │                         │
                          │ Salient size            │
                          │                         │
                          │ Salient organization/variety │
                          └─────────────────────────┘

┌──────────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Actual Variety   │   │ Perceived    │   │ Anticipated  │   │ Consumption  │
│                  │→  │ Variety      │→  │ consumption  │→  │ Quantity     │
│ Number of distinct│  │              │   │ unit         │   │              │
│ items            │   │ (proximal    │   │              │   │              │
│                  │   │ mediator)    │   │ (Distal      │   │              │
│                  │   │              │   │ mediator)    │   │              │
└──────────────────┘   └──────────────┘   └──────────────┘   └──────────────┘

          ┌─────────────────────────┐
          │ Moderators of Perceived │
          │ Variety                 │
          │                         │
          │ -Organization           │
          │                         │
          │ -Symmetry               │
          └─────────────────────────┘
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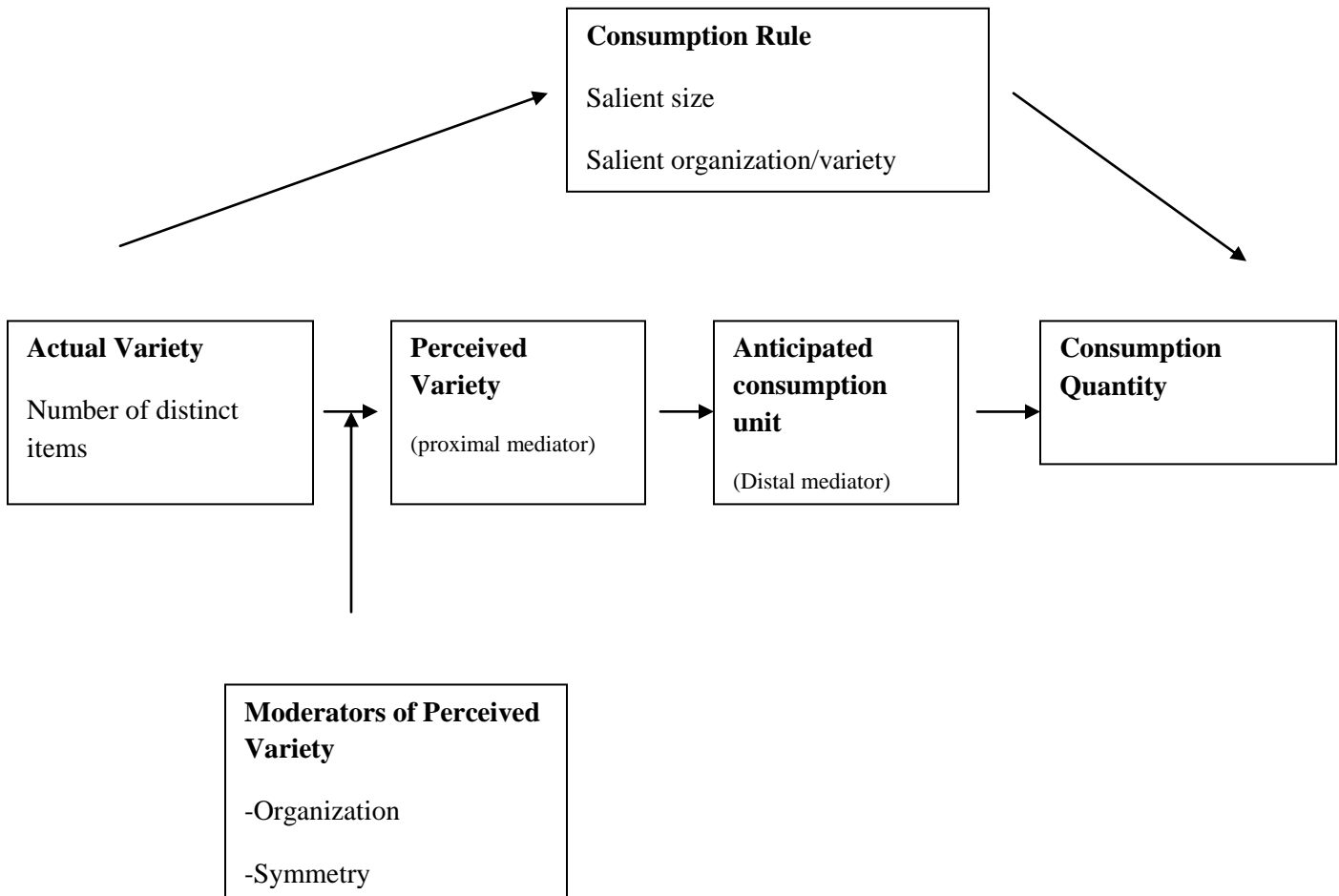
Source: Rai Technology University Journal; Merchandise Management pg57

2.1.6 Shopping Experience

There are those types of customers that patronize the store not because they have a pre thought out shopping list, but because of the shopping experience. They want to get a feel of what the store has to offer and really take in the store atmosphere. Having variety in the store stimulates such customers to make a purchase on the very day or at a future date. According to Kerfoot et al (2003), an efficient product placement strategy can maximizes selling opportunities by creating a need, thus converting a browser into a buyer.

Whenever a customer visits a mall he makes minute observations and makes purchase decisions after satisfying himself/herself. Improper display of the product and inadequate stock level creates dissatisfaction which further results in missed opportunity and sales (Tiwari et al, 2015).Such customers can even work as the stores' advocate and spread the word on the wideness of variety in store to their spheres of influence. It is important to impress such customers as they help create traffic within the store. Also these customers can serve as free advertising for the store.

2.1.7 Value Proposition

A wide and deep product assortment is important because it helps increase the stores' value proposition and use it as a competitive advantage in the retail industry. According to Willy, (2012) a value proposition is a short statement, which clearly outlines the benefits a customer will enjoy after using the product or service. It is that unique attribute of the company that sets it apart from its competitors and gives your business an edge in the market place.

However Chernev, (2012) argues that a large assortment will attract an increase in operational costs thus eating away the few profits made. He also goes on to state, that the wider the assortment the higher the inventory costs, shelf space and financing costs. In order to avoid stock outs, the retailer has to have an onsite warehouse that is readily available to work as a refill when in store shelves become empty. With the wide assortment, this will mean larger stocks to be kept. Larger stocks will require more space in the warehouse as well as more security. In most cases, retailers buy products on credit. Large amounts of stocks increase the company debts.

2.1.8 Information Asymmetry

Product assortment is also important because it serves as a platform for the customer to learn and get free information about a particular product. This will help in cultivating the customers' tastes and preference. The customer can learn the given characteristics of the products, available choices within a range and attributes of a trade-off for the category to make a knowledgeable purchasing decision (Broniarczyk S, 2008). Chernev, (2012) also agrees to state that a wide assortment gives the buyer an opportunity to learn about the range of available products. With the vast product options for a customer to choose from, the customer is free to take some time before making a purchase, to see and understand about other products. The store even has in store merchandisers that serve as assistance to the customer. Customers can ask questions to these merchandisers and get help.

2.2 Brand Name

The brand name influences the purchasing decisions within a merchandise mix in a number of ways. These ways include, perceived quality, brand recall, conspicuous consumption, and defines the customer profile. Generally consumers can be categorized into individual and organizational consumers. Individual consumers try to satisfy their own needs and wants by purchasing for themselves or satisfy the need of others by buying for them. These individual consumers can come from different backgrounds, ages and life stages (Kardes et al. 2011.) The retail buyer should not only focus on the brand name, but should also take into consideration, price, competition, customer service to name a few.

However the brand name is not the only factor that influences a purchase decision. Factors like advertising capture the attention of the customer and in turn stimulate the customer to make a purchase. Advertisements that are well thought out with a hint of persuasion are the cash collectors, as the customer after encountering the advert is left with an idea of what needs they have and how to solve their problem.

2.2.3 Brand Recall

The brand name helps when a customer thinks of making a purchase they evaluate and immediately recall that product through the brand name (Hansen and Christensen, 2003). A brand name helps to create a memory in the mind of the customer of the product. When customers purchase particular brand regularly, he or she use their past experience about that brand product regarding performance, quality (Keller, 2008).

2.2.4 Price

Khan (2006) also points that, price is another factor that influences a customers buying decision. When the price is too high, a customer that is price sensitive will not make the purchase. This is because such customers before they make a purchase, they first evaluate the price to see if what they are about to buy is worth the price, in some instances the customer may even end up walking out of the store empty handed. Competitors with cheaper prices are the one that will end up benefiting the most from such an occurrence.

2.2.5 Customer description/ profile

A brand name influences' the purchasing decisions in that a brand helps define the customer profile. It helps to differentiate one customer from the other based on their tastes and preferences. As far as brands are concerned it is a well known fact that brands are capable of connecting and symbolizing with customer's distinctiveness (Bhattacharya &Sen, 2003; Escalas, 2004).

A product can have a strong brand image that matches a consumer's personality. Consumers can express themselves through brand choices or give image of an ideal self. A brand image is consumers' perception towards the product and set of beliefs concerning the brand thus influencing purchasing decisions. Retailers can strengthen and increase brand names by advertising, promotions and packaging (Wright 1975, p. 431.) When consumers are buying a product, they are also buying a brand name. The brand image must have a positive and unique influence to the customer in order for them to make a purchase.

2.2.6 Societal Influence

Lautiainen (2015) views the influence of brand name purchase being as a result of social attributes. These social factors influence consumer behavior to a greater extent. Schiffman and Kanuk (2010) defined consumer behavior as; the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and service that they expect will satisfy their needs. Every single person has someone around them that inspires them or somehow influences their choices of purchasing. The important social factors are: reference groups, family, role and status (Perreau, 2014), these social factors are the key drivers or the key influencers of the consumers' choice of brand to purchase. Every consumer is an individual, but still belongs to a group. The group to which a consumer belongs is called a membership group.

The second group type is a reference group. The reference group influences the self-image of consumers and consumers' behavior when making a purchase. The reference group provides some points of comparison to consumers about their behavior, lifestyle or habits. Usually there are many smaller reference groups, which are formed by family, close friends, neighbors, work group or other people that consumers associate with. The groups to which a consumer does not belong yet can also influence. These aspiration groups are groups where a consumer aspires to belong and wants to be part in the future. (Kotler and Armstrong 2010, Khan 2006) Family members can influence individual consumers' buying behavior. A family forms the environment for an individual to acquire values, develop and shape personality.

According to Kotler&Armstrong (2010) this environment offers the possibility to develop attitudes and opinions towards several subjects such as social relations, society and politics. A family creates first perceptions about brands or products and consumer habits. Khan (2006,) states that the consumers who have created brand perceptions when they were young, can carry out these same brand selections in the adult life without even recognizing that their family influenced these selections. Individuals play many different roles in their lives. Each role consists of activities and attitudes that are expected from an individual.

2.2.7 Conspicuous Consumption

A brand name also influences purchasing decisions within a merchandise mix in that, brand name stimulates "conspicuous consumption". According to Solomon (2007) conspicuous consumption can be defined as the way of consumption by a consumer who has the financial capability to afford expensive brands not only just to consume the products but also to show off with the intention of infusing envy among other people. Solomon (2007) goes on to add the, people of higher class usually go for a wide array of status symbols for consuming conspicuously. They purchase expensive branded products like Loreal, Radox, and Lindt to name a few, even if it they do not need to make the purchase. For many people, brand name is so important that they do not buy a specific branded product to meet the need, but to enhance their self-respect in the society (Leslie &Malcolm, 1992).

2.2.8 Store Ambiance

Khan (2006) goes on to add that, the store ambiance is also a factor that the customer considers when they want to make a purchase. The store atmosphere should be inviting and comfortable to stay in so the customer is motivated to stay in and spend money. Factors such as, music playing in the store, the colors of the walls in the store, store layout and customer service, are among other things that constitutes the store ambiance.

2.2.9 Perceived quality

Mare (2010) states that, a brand name influences purchasing decisions within merchandise mix in that, it perceives the quality of the product. Perceived quality defines a customer's view point and the product's quality or hierarchal stand point amongst other brands. The perceived quality gives important reason to purchase. It also influences brand integration and exclusion to consideration set before final selection. Mare (2010) also states that, perceived quality has a greater influence in a customer's purchasing process and in brand loyalty.

2.2.9.1 Model of perception

IMPULSE   OBSERVATION

| Changes in environment: environment, advertising, hunger, noise and colors |

| The human senses: seeing, hearing, smelling, tasting and touching. |

SELECTION   ORGANISATION

| a) Characteristics of the object, such as size, color and appeal

b) Characteristics of observer, such as needs, personal characteristics and previous experience. |

| a) Selected impulses are organized and grouped in terms of figure ground, closeness, similarity, and principle

b) Human errors cause erroneous, e.g stereotyping, projection and attribution |

REACTION

| Behavior or attitude |

Source: Flip du Plessis Deon Roasseau (2007), page 160

According to Kotler and Armstrong (2012) customers can form individual differentiated perceptions of the same stimuli because of three perceptual processes, selective attention. Selective attention is the tendency for people to screen out information to which they are exposed to. This means retailers must work towards stocking brands that are perceived as being

of good quality. As a result it will not necessarily be difficult for the retailer to retain and continuously attract consumer's attention.

2.3 Shelf Space

According to the grocery retailer view point, space allocation and shelf space are one of the most critical resources that the retailer owns and thus must not be taken for granted. Shelf space mismanagement can be the downfall of a prominent retailer. According to Ammar and Gulraiz,(2010) shelf space is the place allocated to the products on the retail shelves. Shelf space in a single store is very limited to the retailers, as a result retailers are very selective towards products they stock and allocating them an appropriate shelf space and position can be an issue. But for the individual stock keeping units SKUs, shelf space is an important factor in the revenue, cost and eventual profit of the product category.

Besides providing the shelf space biggest challenge is to provide the proper location to them, Proper shelf allocation is significant in product sale. Usually those items which are on the lower shelf usually get the less consumer attention than those items which are on the upper part of the shelves. So the items which are at the lower shelves will return with the lower sale and there is a chance they will get less benefits from the promotions (Nierop, Franses, 2006). Shelf space and allocation are important because improves customer service, helps easy location of the product, determine product performance, determines the size of the overall store assortment and store image.

2.3.1 Assortment Size

Shelf space is important because it is what ultimately decides how big the product assortment for the store will be. The bigger the trading store the bigger the assortment (Ammar and Gulraiz 2010). Retailers are always in a dilemma, of how big the assortment size should be because of their limited shelf space, in as much as they might want to carry every product there is, they face the limitation of space (Nierop 2006). The retailer may end up needing strong incentive to increase the assortments. It appears that if the assortments are reduced then the perception of the

consumer about the assortment and the store choice will be changed as they feel that this store do not have the much variety. (Ammar and Gulraiz 2010.)

2.3.2 Customer Service

Shelf space is important because it improves customer service. With a properly managed store space, all the products the customer wants will be made available and are orderly arranged on the shelf. A well-managed shelf space improves customer service by reducing out-of-stock occurrences (Yang, 2001;Yang and Chen, 1999). Ideally, the decision regarding shelf space allocation must take into account the profit contribution of each product in the category against the opportunity costs for carrying the inventory.

According to Russel and Urban (2002) the context of self service grocery retail stores is that, demand for a product is influenced by the quantity of display exposed and thus leading to customer satisfaction. It has been speculated that this structure of promotion is capable of changing brand choices. However Russel and Urban (2002) argue that the concept of displaying more in electronic retail shops does not influence demand or stimulate a purchase.

2.3.3 Generation of Sales

Space and shelf allocation are important because the two generate sales which will be translated into profits at year end. According to Ammar and Gulraiz (2010) a retailer can maximize sales through creating pop up store outside the store or create temporary shelving in the store. To achieve this goal they arrange temporary shelves; these temporary shelves can grab the attention of shopper more effectively and could result in the form of high spending.

These temporary display have a large potential, their large display really affects the consumer decisions. Through manipulation, retailer can also improve the attention of existing display. They can use the multiple things to improve the display for example by changing the location of

the product in display, facing devoted to the products, product adjacencies (Yang, 2001;Yang and Chen, 1999).

2.3.4 Product Performance

Shelf space is also important because it assists the retailer to make an analysis of sales by just looking at the product performance on the shelf without having to go into the accounts books to check. According to Russel & Urban (2002) it is because of the positioning of the products on the shelf. The products which are placed in vertical dimension more specifically on eye level and slightly below and in horizontal dimension near to aisles can affect the sales. However, an aspect of most of the existing research, though, is that the location of the product on the shelves has no effect on the sales of a product (Russel and Urban, 2002).

Dreze et al.(1994) argues that, there is a statistically significant effect of vertical and horizontal positioning on the shelves for a number of categories in a study carried out. In which resulted in an average difference in sales of 59 percent from the worst to the best position on the shelves. These studies show that the half of the categories had increased sales on the end of the display, while the other half prefers the center.

From a series of experiments, it was found that the location or product placement within a display has a significant effect on sales. Bezawada et al (2009), in their study of the impact of display management strategies on demand, propounded that aisle and display placements have noteworthy effects on cross category sales as compared to those influenced by marketing mix variables.

2.3.5 Number of shelf facings

Also the number of shelf facings' that the product has in store help to determine that products performance. Retailers give more space to products that will be performing very well and yielding more profits. For category managers the important decision is allocating a shelf facing or shelf space on the shelf. Demand of product is to be a function of shelf where it is placed, then allocated the number of facing on the shelf space (Yang 2001).

In retail stores shelf space is often considered as critical due to the intense competition for space for Stock Keeping Units SKU on the retail shelf among suppliers. From studies we come to know that different allocation patterns of shelf facing can affect the consumer awareness and perception about the product and also on the sales (Waller et al., 2009)

2.3.6 Ease of product location

Shelf allocation is also important because it helps the customer to find any product category that they might be looking for. In retail stores, product categories are defined by shelves. and aisles. The grocery stores contain different kind of products. These products can be divided into different categories (Russel and Urban 2002). According to Russel and Urban (2002), these products are selected according to the different parameters. These parameters are price, always buy satisfaction, recommendation, brand name, shelf space.

2.3.7 Customer attention

Shelf space is also important because it helps to keep the attention of the customer. To take for instance, if there is a stock out on Colgate toothpaste, then on the space for Colgate the merchandiser then fills that space with tissue paper. When the customer comes to buy Colgate and finds tissue paper, it confuses the customer and that customer may end up walking out of the store empty handed. Instead the merchandiser should stock the space for Colgate with another toothpaste brand, so as to present an alternative to the customer and cause the switch to the other item (Waller et al 2009) stimulating a purchase. Kerfoot et al (2003), in their study also argued that the effective display of a product can increases the sale of complementary or supplementary items to the one already chosen, thus escalating conversions, as well as increasing the average amount spent in a shop.

Grocery shopping behavior suggests three characteristics through which consumer's attention in the store could be influenced. First, when consumer is making the decision for grocery product, the information processing is more bottoms up than top down in nature (Ammar and Gulraiz 2010.) Through the long-standing survey of shopping behavior in grocery store, it has been

noticed that 1/3 of the purchases are specifically planned in advance of visiting the store Second type of consumers are those who show very low involvement in making decision when they are in-store. Usually they are doing by gathering the very little information. (Yang, 2001;Yang and Chen, 1999).In this way good shelf location have significant effect on the sale of the product.

2.3.8 Changing product shelf location

Another factor to consider is that, there are those products that are affected negatively by space allocation, size of assortment at a given shelf location and change in space location. Similarly Gourville and Soman (2005) states that there are some product categories for example cereals, canned food, dairy products whose sale could be hurt if the assortment of that category increased. Reason is over choice, this over choice leads the consumer to purchase nothing. According to Gourville and Soman, (2005) FMCG (Fast Moving Consumer Goods) suffered more than the slower moving products if retailers change their shelf space. Waller et al., (2009) also support this statement that FMCG suffer with the change of shelf space.

Change in the shelf space can change the consumer attention. There is chance that changing in the shelf position or shelf facing could change the consumer purchasing decision. Retailers can improve its profits by shifting the consumers towards the high margin products or retailers can increase the profit by increasing the number of unplanned purchases in a shopping trip. (Ammar and Gulraiz 2010.)

2.4 Customer Profile

A consumer profile according to DeVault, (2016) is a way of describing a consumer categorically so that they can be grouped for marketing and advertising purposes. Hudadolf, (2009) also describes a customer profile as a description of a customer or set of customers that includes demographic, geographic, and psychographic characteristics, as well as buying patterns, creditworthiness, and purchase history. By target advertising to a specific market segment, retailers can find more success in selling a particular product and increase profits. As a short-

hand way of talking about consumers, market segments are often represented by consumer profiles.

According to DeVault, (2016) consumers can be identified by many different categories, such as:

- preference
- lifestyle
- stage of life
- attribute
- trait

Acoording to Boleen et al (2008) a key target user profile should contain the following:

Who –relevant details about the segment of individuals–including demographics, role, responsibilities, etc. (i.e.)

Where –the type of business and organization where the key target users can be found(i.e.)

What–the behavior required to achieve the desired value (i.e. purchase, install, configure, register, train, etc)

Why–the daily problems in any way related to the solution the product offers

How –the detailed, expected use of the product

2.4.1 Knowing Customers Better (CRM)

According to Ji-Tsung et al, (2009) some characteristics correlate positively with companies performing well in customer relationship management: excellent products, excellent management, and the informed use of knowledge about customers. An insufficient knowledge base of customers limits the value which a company can offer to those customers. Knowing customers better, a corporation can precisely invest in valuable customers and reduce the cost spent on poorly offering wrong product assortments. Ji-Tsung et al, (2009) adds on to say, "the basic component of customer knowledge comes from a customer profile that is obtained by the

use of a database and data mining technologies used in organizations". Building customer profiles is one of the most popular strategies for knowing more about customer's so as to know the type of assortment to offer and how big it will be. Ji-Tsung et al, (2009) also adds that, retailers are now more than ever focusing attaining high customer retention and maintaining good long term customer relationships. Customer relationships management (CRM) is a high customer retention strategy. It is very important for the retailer to know more about his/her customers' needs then offer customized products and services in order to improve customer satisfaction and loyalty which will lead to customer retention.

2.4.2 Lifestyle

A lifestyle is a pattern of living shaped by psychological influences, social experiences, and demographic mark up. Lifestyle merchandising involves developing product lines in accordance with the consumer living in particular patterns. Knowing the target consumer activities, interests and opinions enables retailers to select product lines that are consistent. Therefore the lifestyle of consumers is among major factors that affect the merchandise mix decisions (Vicent 2016). According to Ji-Tsung et al (2009), a customer profile is a base form of customer knowledge. By obtaining and analyzing customer profiles, corporations can develop products and services to fit the customer's needs. Showing customers that the company is using their profiles to provide customized goods will also lead users to raise their perception of quality.

2.4.3 Change in Customer Tastes and Preference

Bonds between customers and suppliers are changing. The balance of power has shifted towards customers, as new technology has redressed the imbalance in the flow of information between customers and suppliers according to DeVault (2016). Customers now not only have more information and a greater choice but are also able to voice their dissatisfaction more loudly. The shift in the balance of power has contributed to a change in customers' expectation. Companies are now expected to pay more attention to caring for customers, and customers put greater emphasis on honesty and integrity, demanding more transparency from supplier adds DeVault (2016).Further, we've witnessed a growth in interest in environmental and social responsibility,

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with businesses now increasingly recognizing that they are part of a community and a wider world. The new marketing paradigm is based on knowledge and experience. The knowledge-based marketing paradigm indicates that corporations need to know more about customers; and an experience-based marketing paradigm suggests bringing more interactions into customer related activities (Ji-Tsung et al 2009).

Customer profile influences the retailer's value proposition which is shown through a unique in store merchandise assortment (Boleen et al 2008). According to Hadadoff (2009) a customer value proposition is a description of the experiences a target user will realize upon purchase and use of a product. Before a customer value proposition can be created, the key target user must be identified and profiled. A key target user is an intended user of the product Key target user profiles help the entire organization understand who are the key target users, where can they be found, what issues do they face, and how would they use the product. (Hadadoff 2009)

2.5 Chapter Summary

This chapter has focused on how authors have viewed merchandise assortment, customer retention and their variables. Other authors have also reviewed the definitions and given in-depth review of assortment features. After having explored the literature pertaining to the impact of merchandise assortment on customer retention, the next stage will be research methodology which is the next chapter.

Chapter 3

Methodology

3.0 Introduction

This chapter addresses research design, population, sampling, instrumentation, data collection procedures, reliability and validity issues, ethical consideration, data management and date analysis and presentation. The determination of sample size will be reviewed in this section.

3.1 Research Design

Jensen, (2011), defined research design as being the pedagogy and procedures needed to derive information that will puzzle out the problems. It is a frame work of the research project to decide what information is to be collected, the procedures to be used and the derivation of information. In haecceity, research design subsumes detailed information about the sampling procedure, the intended study population and other low-downs about the research. Research design gives the researcher guidance on how to go about the study. The researcher saw exploratory design and descriptive design as more suiting for this study.

3.1.1 Exploratory Research Design

Burn and Bush, (2010) denotes that, explorative research design is the most unstructured, informal research that is under taken to gain background information about the general nature or characteristics of the problem under study. The essence of using this research design was to explicate, examine the problem then develop alternative actions to engage. It was also used by the researcher so as to generate an in depth overview of the problem at hand. Van Wyk, (2012) adds that explorative research design is there to identify the boundaries of the environment in which the problem, situations of interest or opportunities are highly likely to be. Also to recognize factors that are salient or variables that can be of great value to the research study can be found.

3.1.2 Descriptive Research Design

Kotler, (2012) postulates that descriptive research design for the greater part is centered on determining the number of times that something occurs. In addition based on Kotler, (2012) descriptive research design necessitates a clear specification of the, 'who, what, when, where, why and how'. Descriptive research design aims to secern meaningful relationships, establish whether real difference exist or ascertain the validity of the relationships (Shiu et al, 2009). This particular design enables the collection of large sums of data for a more elaborated analysis. It then gives the researcher information that is conclusive on how merchandise assortment features have an impact on customer retention.

3.2 Population and sampling techniques

The population in this research study refers to the elements' total number or the cases that were under study. The researchers' population elements consisted of 36 customers, 15 merchandisers and a manager.

3.2.1 Sampling population

According to Shukla, (2008) sampling means choosing a respective small number of elements from a larger defined group of elements. This is with the anticipation that the sample chosen will be a true representative of the group.

3.2.2 Sample Size

A sample size is the total number of observations in a sample (Evans et al 2000). The sample size consisted of one manager; hence census was used as it was the most relevant way to determine size. According to Morgan and Krejecie, (1970) when study population is 60 the sample size will be 52. In support of this, Saunders et al (2009), denotes that statistical analyses usually require a minimum sample size of 30. Of the 52 there is 1 manager, 15merchandisers and 36 customers: (40 being study population).

Table 3.2.2: Determining Sample Size from a Given Population

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381

200	132	1000	278	75000	382
210	136	1100	285	1000000	384
Note.—**N** is population size.					
S is sample size.					
confidence level = 95%					
margin of error = 0.05					

Source: Morgan and Krejecie[1970]

3.2.3 Sampling Procedure

Malhorta and Dash, (2010) states that sampling procedure is the rule that specifies how systems calculates the sample size. It consists of information about the valuation of the inspection characterized during results recording. The researcher used simple random sampling to select respondents since they were readily available. The researcher gave all the merchandisers an equal probability of selection, through assigning a questionnaire to each merchandiser to avoid any possibilities of bias. She also used a different approach for Spar customers, which was judgmental or purposive sampling. Customers can be considered as being heterogeneous in terms of the way they view things, as a result judgment allows the researcher to find those customers that are best suitable to respond to merchandise assortment and customer retention questions.

3.2.4 Non probability sampling

Non probability sampling according to Saunders et al (2009), gives a range of alternative techniques to pick samples based on ones subjective judgment. The researcher used haphazard sampling which is the selection of respondents based on ease and convenience (Saunders et al, 2009).

3.3 Data source

The researcher utilized both primary data sources and secondary data source to obtain relevant research data for the research under study.

3.3.2 Secondary data

According to Burns and Bush, (2010) secondary data is data that has been antecedently gathered by other researchers. The researcher used this source to compliment primary data found. It also helped the researcher to understand what other researchers and authors said about the understudy.

3.3.1 Primary data

Bryman, (2015) states that, primary data is data collected through interviews and questionnaires. In this research study, primary research was carried out using mixed methods. For qualitative purpose the researcher used interviews, whilst for quantitative she used questionnaires.

3.4 Data collection instruments

The data collection instruments that the researcher used depended on the research method used and the type of data the researcher aims to collect. The most widely used data collection instruments are focus groups, interviews, questionnaires, observations and projective technique. For this research study, the researcher used interviews for qualitative data and questionnaires for quantitative data. See appendix 1 to 3 for sample instruments.

3.5 Data collection procedure and administration

The researcher sought out permission to conduct the research from Village Spar manager. She then design an interview guide and questionnaires, then got approval from the dissertation supervisor and Village Spar manger to distribute the questionnaires and conduct interviews. She made an appointment with the Spar manager to conduct the interview and distribute the questionnaires to the merchandisers. The interview time with the manager was approximately 15-20 minutes.

3.6 Validity and Reliability of findings

Bryman, (2015) suggests that, reliability refers to the consistency of a measure of a concept. Validity refers to the issue of whether an indicator (set of indicators) that is devised to gauge a concept really measures it. To ensure that the data drawn from the research are a true representation of the sample, the researcher used probability sampling. The researcher carried out a pilot study so as to measure the validity and reliability of the questionnaire and interview questions. The questionnaires were distributed to a few respondents in order to measure the complexity and easiness of the questionnaires. The errors noted were corrected.

3.7 Ethical consideration

The researcher sought out approval from the Village Spar under study. She assured the organization that all information that was obtained was used solely for this study purpose. Respondents were told that they were understudy.

3.8 Data analysis and presentation tools

The data gathered was carefully analyzed, verified, edited and presented so as to facilitate data capturing.

3.9 Summary

In this chapter the researcher discussed the target population, sample frame and sample size. The reliability and validity of the data collected enclosed the research methodology as a   convincing agent to the accuracy of all gathered data. The following chapter is of the presentation of data, analysis and interpretation.

CHAPTER 4

Data Presentation and Analysis

4.0 Introduction

This chapter is about presenting research findings and analyses of data from the research instruments. Data will be presented with the use of graphs, tables and pie charts. The data was presented in the order of the research study objectives.

4.1 Response Rate

Response rate is one way to conclude and measure how realiable the findings were, so as to gain confidence with the findings. When the response rate is high, it can be translated as being more reliable. In total fifty one questionnaires were distributed, for the break down see table 4.1. the researcher also conducted an interview with management. The response rate was 86% for the questionnaires.

Table 4.1: Questionnaire Distribution

Respondense	Distributed questionnaires	Returned questionnaires	Response Rate
Spar Customers	36	30	83%
Spar Employees	15	14	93.3% = 93%
Total	51	44	86.2% = 86%

4.2 Importance of Product Assortment

Product assortment is characterised by width, breadth, depth and consistancy as a measure of reviewing its importance and size of the assortment. It is important because it offers the customer variety and or choice, one stop shopping, an incentive for retention and a satisfying shopping expirence to the customer. to the retailer it adds value proposion company performance and image.

4.2.1 Spar employee questionnaire response on product assortment features

Assortment length has an influence on customer retention which was shown by 93% of the employees who were in agreement as shown in figure 1. Assortment length is the number of products a store carries. This is supported by Chernev, (2011) who states that structural aspects of the assortment such as assortment length, breadth, consistancy and depth, moderate the effects of consumption, perceived variety and customer retention.
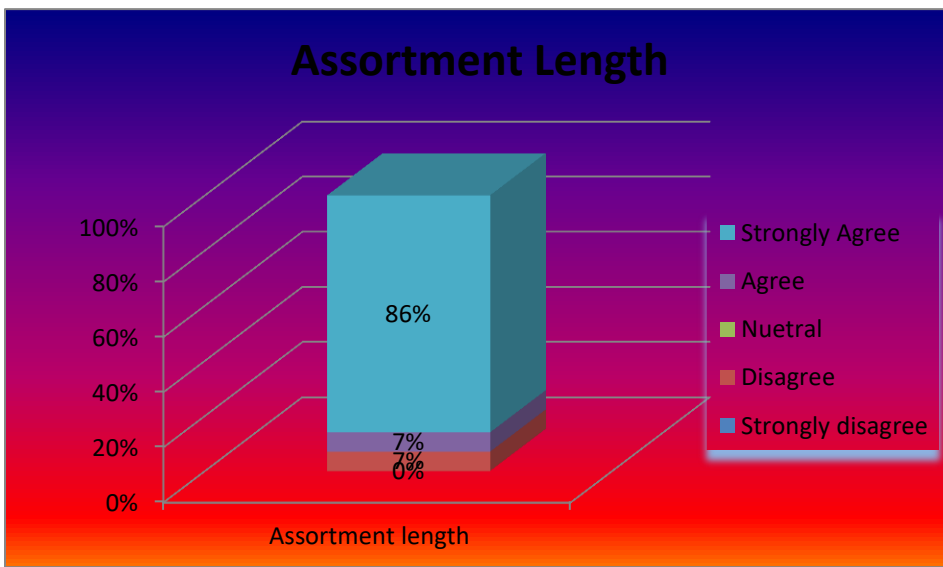

Figure 1 Assortment length

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4.2.2 Spar customer questionnaire response on product assortment

From the customer respondents, 87% agreed that they considered variety of the store before they patronised it. See figure 2 for a graphical presentation. This shows that customers are influenced by variety when making a purchasing decision. Arnold et al, (1983) supports this by stating that customers express desire for large assortments and are drawn to stores that offer wide product selection. An interview was conducted with the Village Spar manager concerning the influence of the stores assortment size on customer retention. He expressed how in store variety has managed to help the store to retain its customers over the years. However with the situation the store has found itself in, variety is becoming difficult to maintain as trade policies have changed. As a result customer retention has dropped significantly.
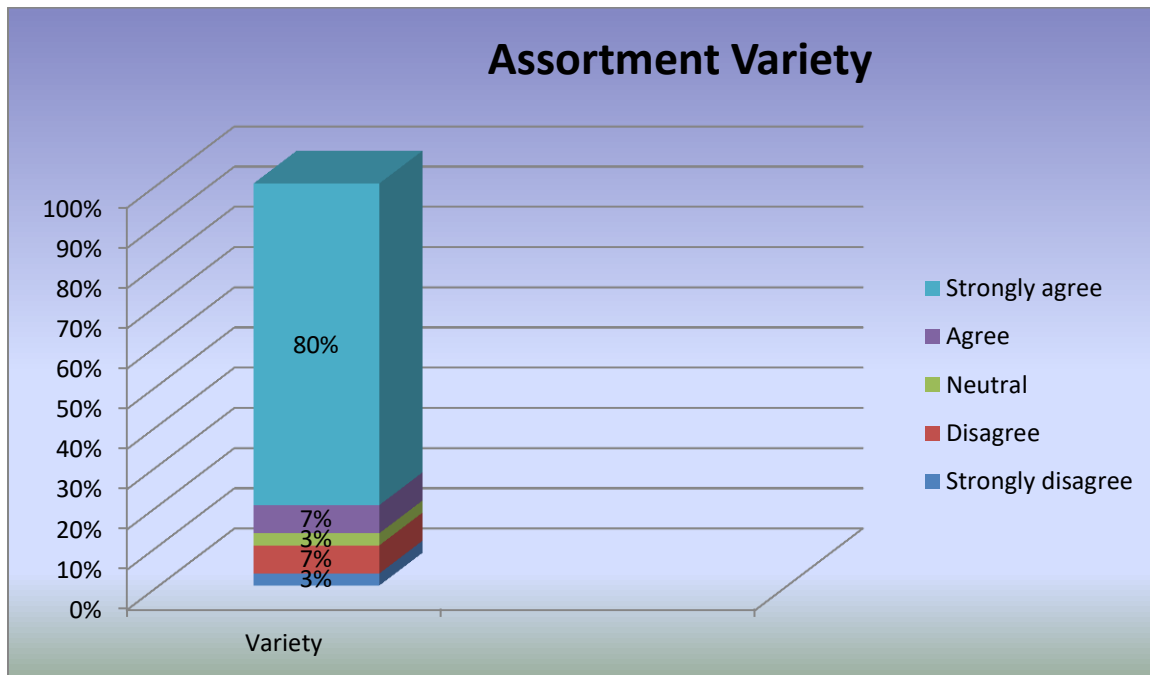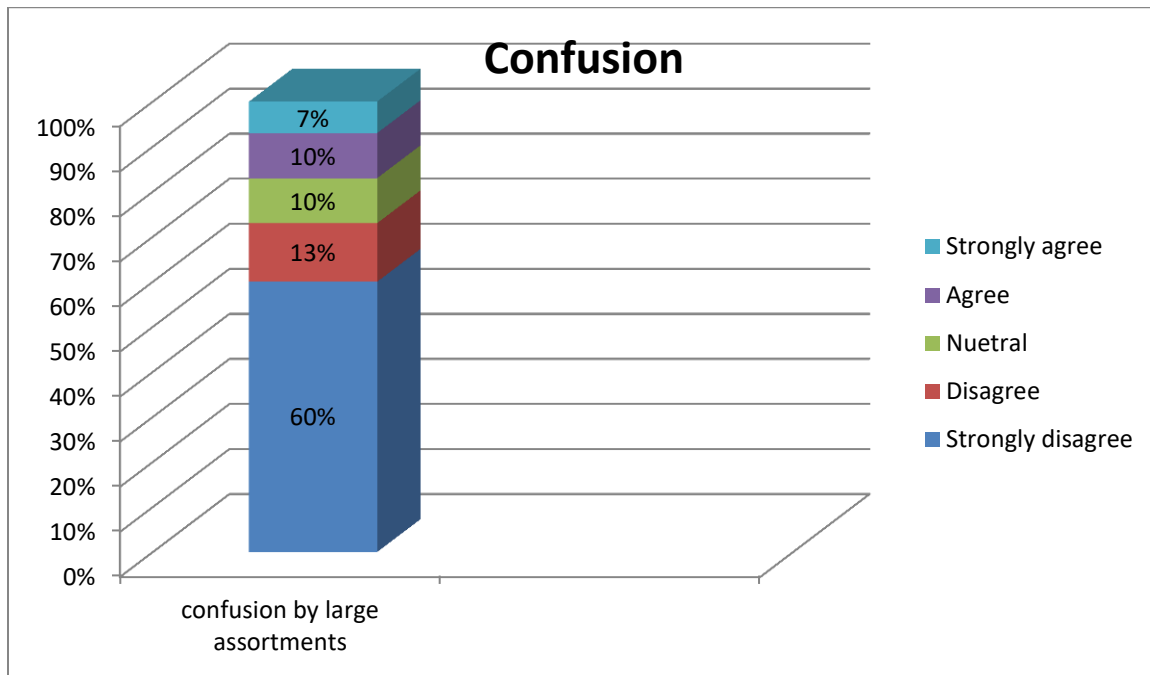

Figure 2 Assortment Variety

Figure 3 Confusion by large assortment

Schwarts, (2004) states that large assortments are time consuming and confusing for the customer as it requires a lot of effort on the consumer's part to locate the product. However from the findings, 73% disagree as depicted in figure 3.

From both sets of questionnaires and interview carried out, the researcher has found out that product assortment variety and or size has a significant effect on customer retention, and the overall performance of the store. Customers do actually consider what the store is offering and availability of choice before entering it. Large assortments help to stimulate a purchase thus making the shopping experience for the customer more satisfying. This stimulation is likely to be desirable for individuals with high optimal stimulation levels or consumers who derive pleasure from the shopping experience. A plethora of options may also increase the anticipation of choosing, which will make retention of the satisfied customer easier (Mottola and Utkus

2003.) when customers continually return to the store it will mean increased profits. This makes product assortment an important aspect in retailing.

4.3 Influence of Brand Name on Customer Retention

Brand name is a powerful tool that is used in the retail industry to differentiate one product or service from another. The researcher used the following brand name features to see the influence it has on purchasing decisions: quality, brand name and price.

4.3.1 Spar employee and customer questionnaire response on brand name

Pertaining brand name as a feature, 82% of the respondents agreed that it had an influence on customer purchasing decisions. Customers do consider the name of the brand before they make a purchase. When a customer wants to make a purchase, the brand name helps to recall it in their minds. From the past experiences, the brand name helps to create a memory in the customers mind Hansen and Christensen, (2003) supports it. See figure 4 for depiction of findings.
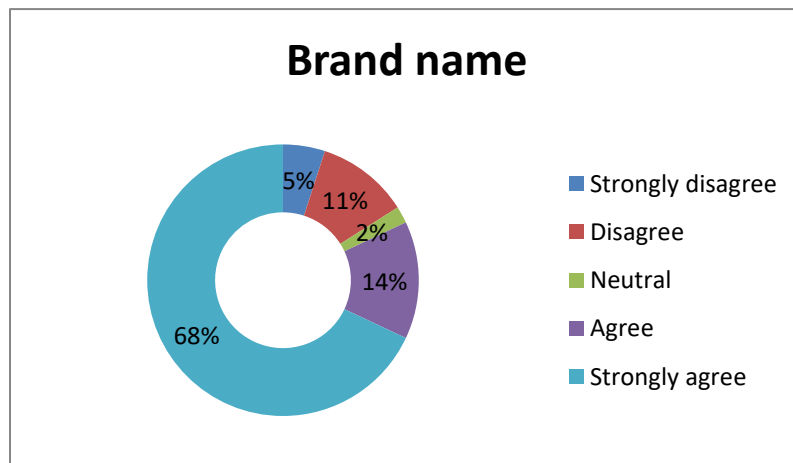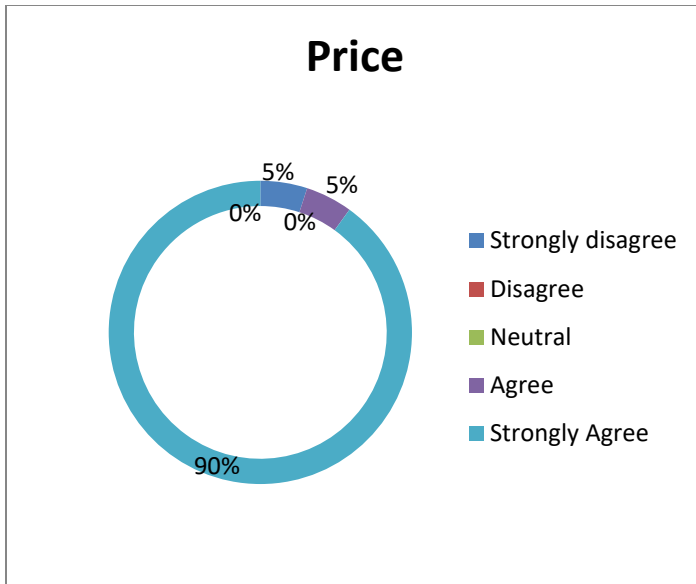

Figure 4 brand name

Price

Legend:
- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

5% — 5% — 0% — 0% — 90%

The price of the product influences the customers purchasing decision as seen by 95% of the respondents who were in agreement. See figure 5 for depiction of findings. This is supported by Khan (2006) who states that, a price sensitive customer is the price is high; he or she will not make the purchase. The Village Spar manager was given an opportunity to rank using a scale of 100%, which brand name features were key customer drivers when making purchasing decisions. See figure 6 for depiction of findings. Since the shop is located in an upscale suburb, he ranked price the second from last. From his view point, it was about the brand itself delivering maximum quality when consumed then price would then follow. He emphasized on having the best quality products, thriving for better prices.
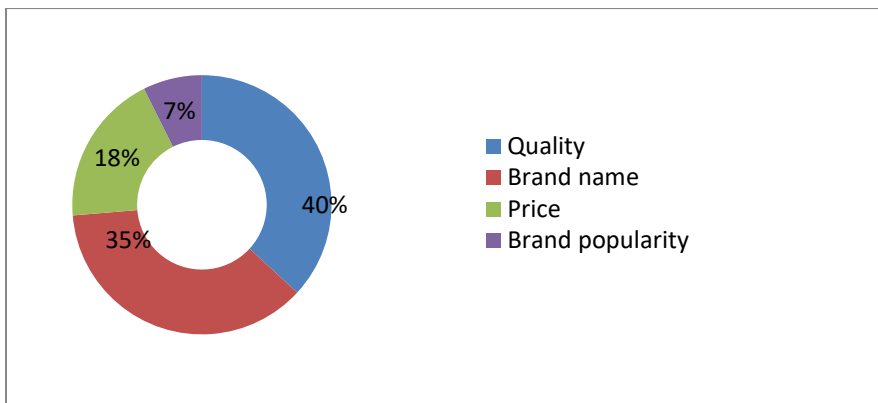

Legend:
- Quality
- Brand name
- Price
- Brand popularity

7% — 18% — 35% — 40%

36

Quality

- Strongly disagree
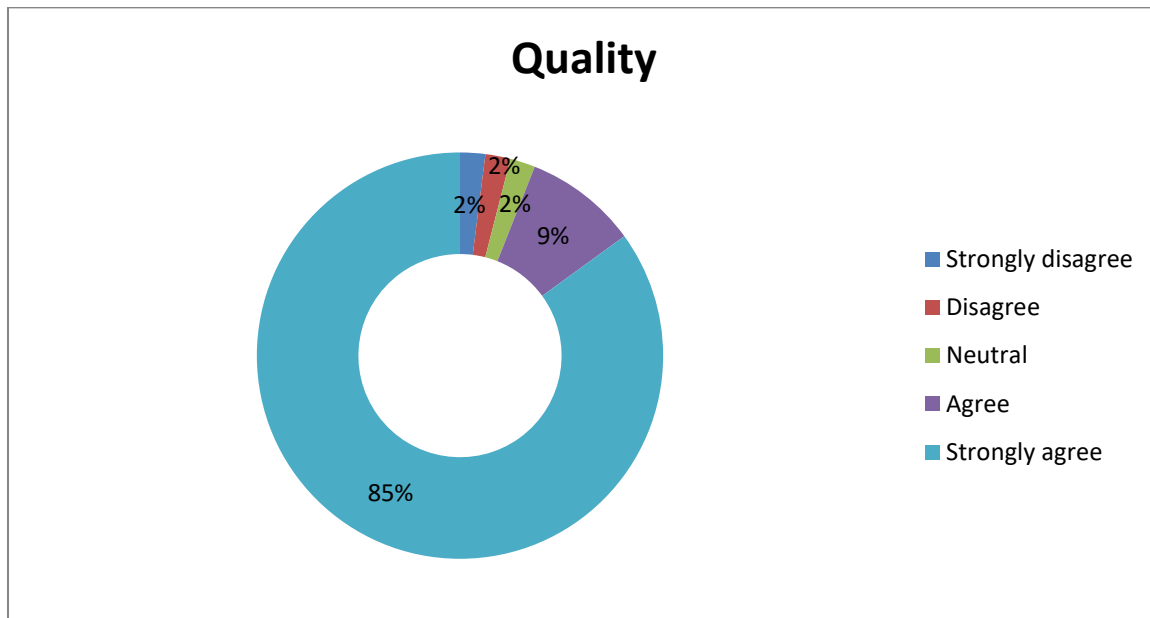- Disagree
- Neutral
- Agree
- Strongly agree

2%
2%
2%
2%
9%
85%

In general the quality of the brand has an influence on customer retention and buying decisions given the average response of 94% that are in agreement as shown in figure 7. It is supported by the interview carried out with the manager were he pointed out that, Spar customers were more concerned with product quality. This has also influenced the quality of the products that the store carries. From the above findings, the researcher has found out that brand name features have a tremendous impact on customer buying decisions. The features being price, quality, brand popularity and the actual name of the brand significantly drive a consumer to buy or not.

4.4 Importance of Shelf Space in retailing

In a retail store, shelf space is the space allocated to a product on the shelves. it can be deemed as a scarce resource and thus needing proper management. Shelf space is important because it determines assortment size, helps generate sales. Changing of a products location can affect customer satisfaction.

4.4.1 Spar employee and customer questionnaire response on shelf space

Shelf Space

72%	
5%	
11%	
7%	
5%	

Legend:
- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

X-axis: Changing of product location
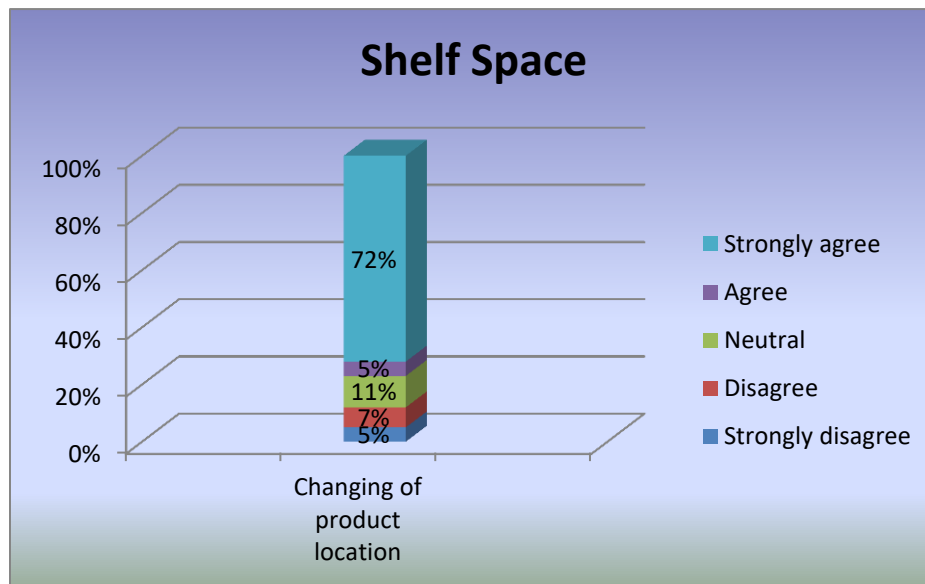
Y-axis: 0%, 20%, 40%, 60%, 80%, 100%

Figure 8 importance of shelf space

From the above chart, the researcher found out the importance of shelf space in the retail industry through features of shelf space that were in question. 77% of the respondents agreed that the change of a product location influences customer buying behavior and product performance as shown in figure 8. This is supported by Gourville and Soman (2005) when they state that, another factor to consider is that, there are those products that are affected negatively by space allocation, size of assortment at a given shelf location and change in space location. Waller et al., (2009) also supports this statement that FMCG suffer with the change of shelf space.

 In an interview with the shop manager he expressed how shelf space was important. Shelf space is important because it is what ultimately decides how big the product assortment for the store will be. The bigger the trading store the bigger the assortment (Reyes and Frazier 2005). The findings that the researcher found also support Reyes and Frazier, (2005). 57% of the merchandisers strongly agreed that available shelf space determines the assortment size. See figure 9 for a graphical depiction.

Figure 9 Assortment size

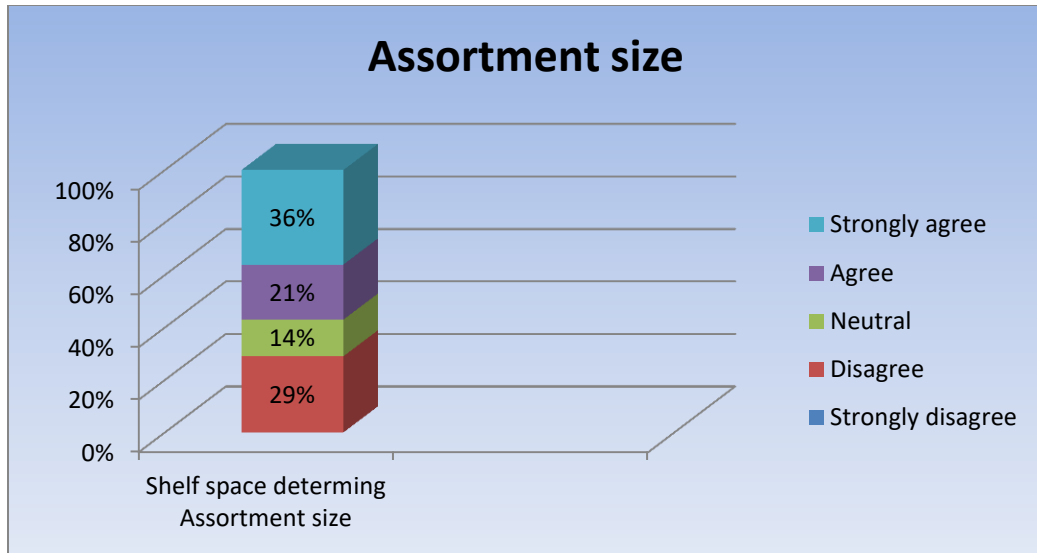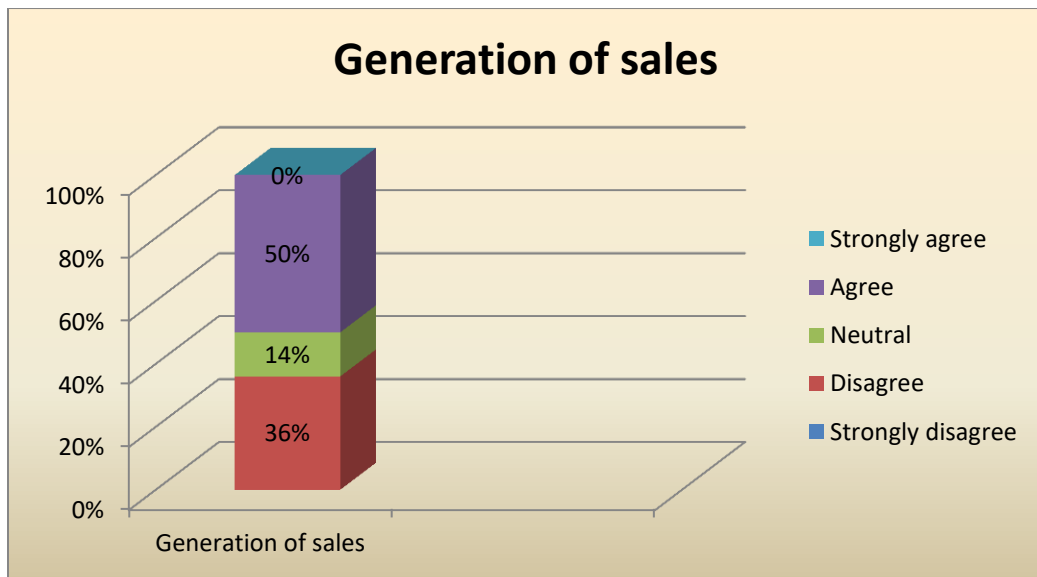**Figure 10 Generation of sales**

Space and shelf allocation are important because the two generate sales which will be translated into profits at year end. This is shown by an average response of 50% who were in agreement as shown in figure 10. According to Ammar and Gulraiz (2010) a retailer can maximize sales through creating pop up store outside the store or create temporary shelving in the store.

4.5 Importance of Customer Profile on product Assortment

Building a customer profile is one strategy many retailers use in order to get to know their customers better. Customer profile is important because it helps identify customer features which influence merchandise assortment. These features include demography, socioeconomic, geography and lifestyle. The findings showed that the customers' profile significantly has an impact on the assortment the shop will carry and customer buying decisions, thus making it important.

4.5.1 Spar employee and customer questionnaire response on customer profile

Demography

Legend:
- Strongly disagree2
- Agree
- Neutral
- Disagree
- Strongly disagree

84%
5%
2%
9%
0%
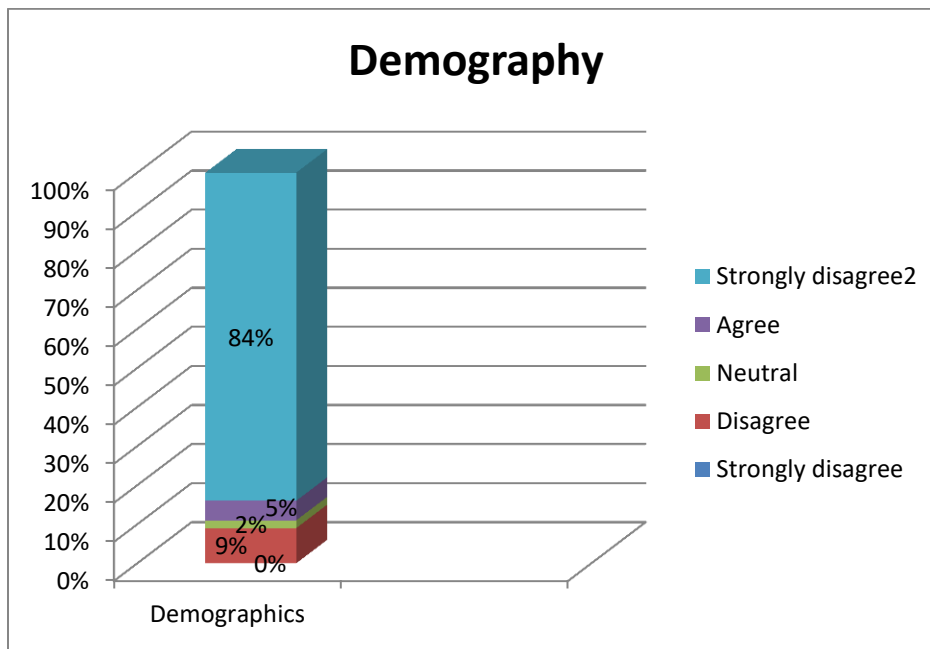
Demographics

Figure 11 Customer profile: Demography

In general demography has an influence on customer buying decisions and assortment in store. Given 89% of the respondents agreed that demography is important when considering assortment to buy or carry in the shop as shown in figure 11. Also in an interview Spar manager added that

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the shop offering was finalized after a careful study off its target market and aimed to provide high quality products for its customers. Ji-Tsung (2007) supports this in that building customer profiles is one of the most popular strategies for knowing more about customer's so as to know the type of assortment to offer and how big it will be

Figure 12 Income

95% of the respondents agreed that income plays a pivotal role when making a purchase. As shown in figure 12. To a greater extent, a customer's level of income will determine his or hers' price range, brands to purchase above all buying power holding all things constant.

Lifestlye

14%	■ Strongly agree
68%	■ Agree
	■ Neutral
5%	■ Disagree
11%	■ Strongly disagree
2%	
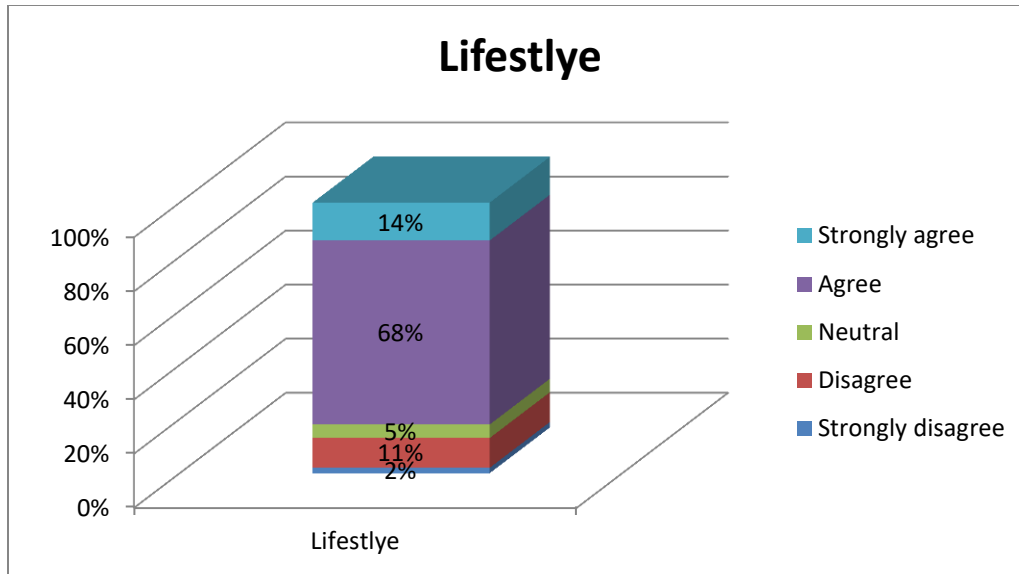
Lifestlye

Figure 13 lifestyle

In general 82% of the total respondents agreed that the customers' lifestyle plays a contributing role on the type of assortment he will buy as shown in figure 13. The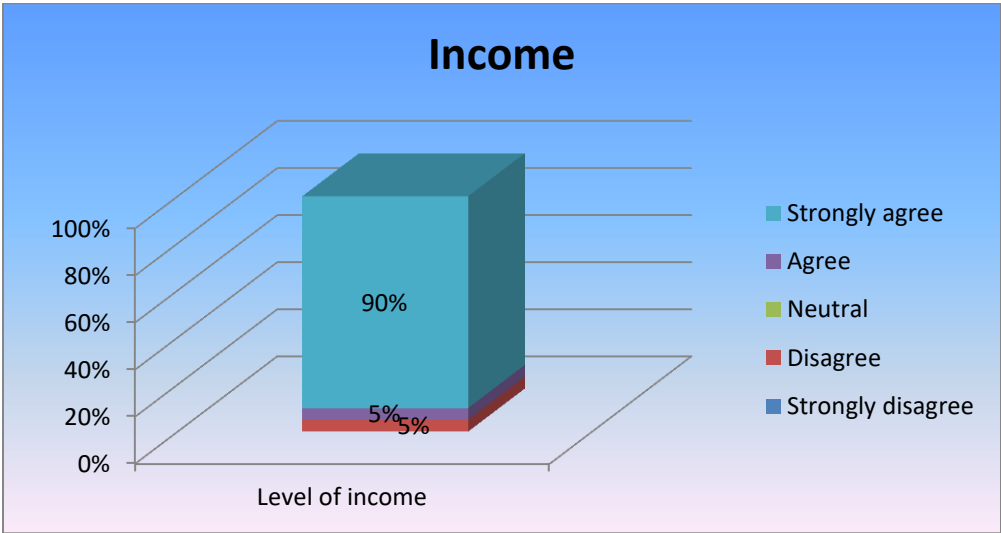 retailer should consider the customers lifestyle, when choosing merchandise mix. Knowing the target consumer activities, interests and opinions enables retailers to select product lines that are consistent. Therefore the lifestyle of consumers is among major factors that affect the merchandise mix decisions (Vicent 2016). According to Ji-Tsung (2007), a customer profile is a base form of customer knowledge. By obtaining and analyzing customer profiles, corporations can develop products and services to fit the customer's needs.

4.6 Summary

This chapter has been a reflection of all the findings the researcher got from the employee and customer questionnaires and interview carried out. It has been instrumental in ensuring research questions and research objectives have been answered. This chapter was centered on data presentation of the collected data. The findings were presented, analyzed and discussed linking with literature from other authors on the subject. The data from questionnaire and interviews indicated that assortment size has a significant impact on customer retention and overall store performance. In the next chapter, summary, conclusions and recommendation of the study will be given.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter concludes the research study and gives recommendations to Village Spar, the university and further study.

5.1 Conclusion

The evaluations made throughout this research study, show that it can be therefore concluded that merchandise assortment has a greater influence on customer retention at the Village Spar. From the results of the findings, customers do consider the size of assortment within a shop before entering it as they prefer one stop shopping. The bigger the assortment size, the wider the chances of customers to patronize the store, thus retention.

5.2 Importance of product assortment within a product line.

5.2.1 Conclusion

87% of the customers agreed that they consider the stores assortment before they patronize it. Most customers prefer to do all their shopping in one destination. Product assortment within a product line is important because, consumers have the liberty to choose from a wide variety of products of the same nature thus increasing customer satisfaction. Wide and deep assortments give the customer a sense of freedom. And generally increases sales. The purpose of merchandising is to seal or lock the sale after advertising campaigns have brought customers into the store. Consumers have the liberty to choose from a wide range of products within the same category. Chernev, (2012) also states that, 'the basic view that perceived variety is a function of merchandise assortment size is fairly straightforward: Larger assortments tend to be perceived by the customer as having greater variety', thus the greater the variety the larger the choice for the customer, hence customers are retained.

5.2.2 Recommendations

- In order to maintain product availability in the face of new foreign trade policies, Spar should aim at renewing its licenses in time so that it will not have stock outs caused by delays in imported products. These stock outs reflect badly on the company image and thus suffer in terms of retaining customers.

- Also the store has to carry larger inventory as buffer for all the products that are imported from South Africa. This acts as a precautionary measure in that, if there are any delays or temporary bans of imported products, the products the store will still have the products in stock. As a result the customer is satisfied; retaining a satisfied customer is made easier thus larger profits for the organization.

- The Village Spar has to differentiate assortment in store by offering unique products or categories that other retailers in its location are not offering. Spar is to find out how much overlap there is between its current offering and that which its competition is offering. Product offering should be comprehensive and differentiated were possible. This helps it create a competitive edge in the industry which also helps in retaining and gaining new customers.

- It is of great importance that Spar identifies the gaps in its assortment on time. This can be done through monthly or quarterly assortment reviews

- Spar has to aim to be assortment intelligent through the use of a system called priceweave. It helps the retailer to analyze its assortment, pricing strategies that are competitive, new product launches. It basically helps the retailer to retain its customer at the lowest cost possible.

- In instances were the store may find it challenging to pay its suppliers due to economical constraints, which will be causing products not be in stock. The store can have an agreement with the supplier, assuring that payment will be made, but products should continue to be

supplied regardless of if payment has been made or not. This can be made visible when the organization aims to build strong relationships with their suppliers.

5.3 Influence of brand name on purchasing decisions within a merchandise mix.

5.3.1 Conclusion

After a close examination of the brand name features results, it showed that price of the product was something most customers considered when making a purchase. 94% of the population strongly agreed that they considered the quality of the brand. As they derive more satisfaction from good quality products. Another aspect of the brand name that helps customers to make a decision is brand recall. The name of the brand helps to create a memory in the mind of the consumer, a memory in which the customer will tap into and activate when making a purchasing decision. Also when customers purchase particular brand regularly, he or she uses their past experience about that brand product regarding performance, quality (Keller, 2008). It can be supported by how popular a brand may be. When customers make a purchase, it is more like they are making a statement of their tastes and preferences. So brands help customers to express their individuality. A brand name can help the retailer to define their customers. In conclusion the brand name has an influence on the purchasing decisions within a merchandise mix.

5.3.2 Recommendations

- Spar should also take note of all the products and brands that will be trending in the country and aim to be the first to offer them in store. So that customers can maintain their desire of one stop shopping.
- Spar is to invest in the provision of high quality products and sell them at reasonably lower price. This can be done by the use of a cost leadership supply chain that uses slower and cheaper methods of transportation. However if efficiency is its aim, higher faster transportation will be used but it will be costly for the retailer. As a result the customer will be one that will pay through high prices.

5.4 Importance of shelf space in retailing.

5.4.1Conclusion

Management was interviewed on the importance of shelf space in retailing. He expressed how shelf space was ultimately what determined the size of the desired assortment. Space available can act as a limitation to the retailer or an advantage. The more the space available, the more the liberty to carry a large assortment size in store. One other aspect to consider was that changing of the product location in store affected the product performance. In conclusion through practice retailers now realize that by combining the shelf space together with other factors like promotion, price and promotion they can increase the overall sale of the store. There are few seasonal product categories. And during that season, retailers increase the shelf space of that product category. So consumer can find the product easily according to the demand. Retailers must need to ensure the shelf layout time by time because it's a very limited resource. Shelf space is a very limited resource and these resources should be used correctly in order to retain and satisfy customers.

5.4.2 Recommendation

- Shelf space in store is limited, so in order to maximize on having a large assortment size, the store has to allocate shelf space based on product performance. That is more product facings for products with large sales volumes.

5.5 Importance of customer profile on product assortment.

5.5.1 Conclusion

The study showed that knowing the customers profile is important as it helps the retailer to know its customers tastes and preferences. Customer profile features include demographics. geography, socioeconomics, lifestyle to name a few. This makes defining the product offering easier. 95% of the customers strongly agreed that their level of income, will determine their buying power, price range and type of products they will buy. In an interview with manager, he expressed that knowing who their customers are in the location the shop is, has helped to provide

an assortment that has high quality and luxury brands. In conclusion organizations would be wise to apply customer profiles into practical characteristics of products or services. This will raise the customers' perception of assortment quality and further affects retention.

5.5.2 Recommendation

- Customers' tastes and preferences are constantly changing as they are now adapting to the ever changing global environment. Spar has to constantly carry out researches so as to be abreast with the customer's needs and wants.

5.6 Recommendations for further study

Further study is needed in areas that are not covered in this research such as customer and supplier relationship management as tools for gaining market share, customer retention and a competitive edge in the industry.

5.7 Recommendations to Midlands State University

The internet is now the go to when in need of a global view point of any study. As such the university has to aim to get rid of all the network congestions, to help students so that they do not get interrupted by network problems when doing research.

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APPENDEX 1: Customer Questionnaire

QUESTIONNAIRE FOR THE CUSTOMERS

This questionnaire has been prepared by a final year student studying a BcomHonors Degree in Retail and Logistics Management at Midlands State University. In partial fulfilment of the program, it is a requirement for every student to carry out an academic research dissertation of his or her own choice. The research topic is:

THE IMPACT OF MERCHANDISE ASSORTMENT ON CUSTOMER RETENTION

Instructions

- Please respond by ticking in a box corresponding to your desired response
- Please do not write your name anywhere on this questionnaire
- Kindly assist by completing this questionnaire. All information shall be treated with utmost confidentiality and used solely for academic purposes

SECTION A: MERCHANDISE ASSORTMENT

Importance of product assortment on customer retention

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

Do you agree that you :

	Assortment features	1	2	3	4	5
1	Consider store variety before entering it?					
2	Prefer to do your shopping in one store?					
3	Perceive large assortments as attractive?					
4	Consider large assortments as confusing and time consuming when choosing a product?					
5	Stopped shopping in a store because of its assortment size?					

SECTION B: BRAND NAME

Do you agree that customers are driven to buy by the following brand features?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

	Brand	1	2	3	4	5
1	Brand name					
2	Quality					

3   Past experiences with the brand

4   Brand popularity

5   Price

SECTION C: SHELF SPACE

Do you agree that the following shelf space features have an impact on merchandise mix and or customer loyalty?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

Shelf Space	1	2	3	4	5
1 Do you take into account the number of product facing on the shelf when making a purchase?					
2 If product location in store is changed, does it affect your buying decision?					

SECTION D: CUSTOMER PROFILE

Do you agree that the following customer profile features have an influence on merchandise mix?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

Customer profile features	1	2	3	4	5
1 Level of income					

2   Region of customers' residence

3   Lifestyle

4   Social groups

5   Household composition

THANK YOU

APPENDIX 2: Employee questionnaire

QUESTIONNAIRE FOR THE EMPLOYEES

This questionnaire has been prepared by a final year student studying a BcomHonors Degree in Retail and Logistics Management at Midlands State University. In partial fulfilment of the program, it is a requirement for every student to carry out an academic research dissertation of his or her own choice. The research topic is:

THE IMPACT OF MERCHANDISE ASSORTMENT ON CUSTOMER RETENTION

Instructions

- Please respond by ticking in a box corresponding to your desired response
- Please do not write your name anywhere on this questionnaire
- Kindly assist by completing this questionnaire. All information shall be treated with utmost confidentiality and used solely for academic purposes

SECTION A: MERCHANDISE ASSORTMENT

Do you agree that the following product assortment features have an impact on customer retention and loyalty?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

	Product assortment features	1	2	3	4	5
1	Assortment Length (number of products)					
2	Assortment Breadth (number of product lines)					
3	Assortment Depth (number of product varieties within a product line)					
4	Product Compatibility					

SECTION B: BRAND NAME

Do you agree that customers are driven to buy by the following brand features?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

	Brand features	1	2	3	4	5
1	Brand name					
2	Price					
3	Quality					
4	Brand popularity					

SECTION C: SHELF SPACE

Do you agree that the following shelf space features have an impact on merchandise mix and or customer loyalty?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

	Shelf space features	1	2	3	4	5
1	Shelf space determining assortment size					
2	Changing product location					
3	Generation of sales					

SECTION D: CUSTOMER PROFILE

Do you agree that the following customer profile features have an influence on merchandise mix?

Using the scale of 1 – 5 with (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree. Please tick or mark in each feature that is close to your liking.

	Customer profile features	1	2	3	4	5
1	Demographics					
2	Geography					
3	Socio economic status					
4	Lifestyle					

THANK YOU

APPENDIX 3: Interview guide

MIDLANDS STATE UNIVERSITY

RESEARCH INTERVIEW GUIDE FOR MANAGEMENT

This interview guide has been prepared by a final year student studying a BcomHonors Degree in Retail and Logistics Management at Midlands State University. In partial fulfilment of the program, it is a requirement for every student to carry out an academic research dissertation of his or her own choice. The research topic is:

THE IMPACT OF MERCHANDISE ASSORTMENT ON CUSTOMER RETENTION

1. How has the location of the store influenced store offering?
2. Does assortment size influence company performance
3. How has brand names influenced store offering?
4. What do you consider when allocating shelf space to products in store?
5. To what extent do you consider available shelf space when deciding the size of product variety to offer in store?
6. How has the socioeconomic attributes of the customers influenced product offering?
7. How has brand names influenced merchandise mix?

	Assortment features	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Do you consider store variety before entering it?	1	2	1	2	24
2	Do you prefer to do your shopping in one store?	0	1	1	2	26
3	Do you consider large assortments as confusing and time consuming when	18	4	3	3	2

APPENDIX 4: Response figures

choosing a product?

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
4	Have you ever stopped shopping in a store because of its assortment size?	0	2	2	4	22

Customer response: 30

Employee response: 14 respondents (merchandisers)

	Product assortment features	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Assortment Length (number of products)	0	1	0	1	12
2	Assortment Breadth (number of product lines)	0	1	1	1	11
3	Assortment Depth (number of product varieties within a product line)	1	5	0	1	7
4	Product Compatibility	4	2	0	3	5

Number of respondents: 44(customers and merchandisers)

	Brand features	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	Brand name	2	5	1	6	30
2	Price	2	0	0	2	40

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
3	Quality	1	2	0	4	37
4	Brand popularity	1	3	1	6	33

Number of respondents	**Shelf space features**	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
44:Customers and employess	Changing product location	2	3	5	2	32
14 employess	Shelf space determining assortment size	0	4	2	3	5
14 employee	Generation of sales	0	5	2	7	0

Number of respondents: 44 (customers and merchandisers)

	Customer profile features	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	Level of income	0	2	0	2	40
2	Demography	0	4	1	2	37
3	Lifestyle	1	5	2	30	6
4	Geography	1	3	1	33	6