

## **NRHA** Basic Training Course in Hardware Retailing

### **MERCHANDISING MAKES A DIFFERENCE**

#### **Disciplined Merchandising Strategies**

Merchandising makes three important contributions to a retail store. It increases sales, it improves profitability and it helps control expenses. It increases sales by making a store appealing to customers. It improves profitability by generating more margin dollars. And it controls costs by improving employee and salesfloor productivity. In doing so, merchandising touches almost every aspect of how your store conducts business on a daily basis. Like advertising and inventory management, in order to be successful, retailers need to plan and execute merchandising techniques. This section will help you understand why merchandising is so important to your store and what you can do to help your store develop better merchandising practices.

### **THE IMPORTANCE OF MERCHANDISING** **Customers Expect Good Merchandising**

Taking maximum advantage of the benefits of merchandising demands discipline and planning. Skilled merchandising is hard work. It requires daily attention to detail. Competitive pressure demands disciplined merchandising. Big-box home improvement centres, discount stores and even supermarkets selling home improvement products practice disciplined

merchandising strategies. Your store should too. Customers are accustomed to shopping in stores that practice good merchandising. From mass impulse displays in power aisles to feature endcaps packed with special merchandise, there's no reason why independent retailers should not take advantage of the merchandising techniques that trigger additional sales.

#### **1. How Merchandising Appeals to Customers**

##### **It Makes Shopping Easier**

The first aspect to merchandising is how it can be used to attract customers—making shopping easier for them and giving them reasons to come back often and spend more money. Underlying any merchandising plan should be the understanding that many consumers no longer consider shopping fun. A retailer's challenge is to use merchandising to take the hassle out of shopping.

**It Creates Customer Loyalty**—The reason do-it-yourselfers choose a certain store depends on what they are looking for at the time. Discount store purchases tend to be products needed for light home repair jobs that are picked up while shopping for other merchandise. Warehouse home centre purchases lean more toward major remodeling projects. Consumers shop where they feel certain they can find the merchandise they want, and they are generally very loyal customers when hardware stores can create a pleasing shopping

experience and provide what they need.

**It Promotes Repeat Shopping**—Turning shoppers into repeat shoppers is critical. Experts on the subject of store loyalty say that customers who are most likely to come back are those who made a recent purchase, who buy frequently and who spend the most money. With all of the competition for consumer dollars, prime opportunities for growth comes from bringing existing customers back more often and giving them reasons to buy more each time.

#### **2. How Merchandising Improves Store Profitability**

**It Enhances a Store's Price Image**—Many independent hardware and home centre retailers battle a perception among consumers that they are high-priced. This is a perception that is heightened by the presence of big-box competition. The independents' challenge is not to under price competitors, but to convince consumers that they are priced competitively for the value and service they offer. At the same time, they must protect profit margins and generate resources to grow. Merchandising can play a large role in helping your store develop a value priced image. With skilled use of product selection, display and pricing, it can suggest to consumers that they can, indeed, find good prices in independent stores.

**It Allows Retailers to Make Strategic Pricing Decisions**—Merchandising can also help retailers protect operating margins by

increasing item sales at the same time they lower prices. Studies show that by simply moving a product from a shelf location to a promotional location, sales can double or even triple. This gives your store the flexibility to make strategic pricing decisions.

##### **It Increases Your Sales Per Customer**

An attractive merchandise arrangement stimulates extra sales and impulse purchases. This boosts your sales per customer, which makes your sales record run well above the national averages. But for merchandising to be fully effective, shelves, hooks, bins, feature endcaps, dump bins and all the other display areas must be full.

Stockouts aren't allowed. It takes only one experience of not finding the items they need for do-it-yourselfers to shop elsewhere. Full displays mean accurate inventory tracking and appropriate ordering levels.

**Promotes Self-Service Shopping**—You can only wait on one customer at a time, but many customers can serve themselves at the same time from the displays you build. This frees up your time to spend with customers selling more extensive projects and higher end merchandise.

#### **3. How Merchandising Helps Increase Productivity**

**It Increases Salesfloor Productivity**—One way retail companies can control costs is by improving the productivity of salesfloors and employees. Productivity improves when the same salesfloor square footage and the

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same number of employees generate more sales. Merchandising affects virtually all of the measurements of retail productivity, including average transaction, sales per square foot, gross margin per square foot, sales per employee, gross margin per employee, payroll costs as a percent of sales and as a percent of margin.

**It Enhances Sales**—Merchandising can suggest related purchases at the point of sale and impulse purchases in a power aisle or at the checkout. Merchandising should complement the efforts of salespeople by organizing the store, suggesting project ideas, reminding customers of forgotten items, promoting special buys and seasonal items and providing self-shopping information while allowing employees to give full attention to customers who need their help.

**It Complements Advertising**—Some of the factors that go into improving salesfloor productivity include stock turns by department, product line and item, peak selling periods for each department and customer traffic patterns. Gathering this information for each store provides guidance on what items to promote, when to promote them and how to merchandise the items on promotion.

### **4. How Merchandising Makes Your Job Easier**

#### **It Helps Provide Better Customer**

**Service**—It is your knowledge, experience and selling skills that help customers solve

problems, plan projects and go home with all the items needed for their project. And that's what you should be concentrating on—answering questions, solving problems, selling related items. You should not simply direct traffic—that's what signs and other merchandising techniques do. Many customers truly need help. Yet, there are times when customers don't need and don't want help. They know what they want and only need to know where to find it.

#### **It Makes Retail Selling More**

**Rewarding**—Rushing around the salesfloor to make small sales can be frustrating. Effective merchandising frees you for activities that challenge your selling skills.

#### **It Gives You Time to Develop New**

**Skills**—Self-service displays give you time to involve yourself with other retailing activities, which increases the speed of your advancement within the company.

## **THE ELEMENTS OF MERCHANDISING**

### **There's More to Merchandising Than You Might Realize**

Merchandising is much more than attractive displays. It incorporates salesfloor design, product selection, product presentation, pricing and interior signing. Merchandising is the effective use of products, display fixtures, space, colour, lighting and signing to encourage customers to buy.

### **Organization is Key**

Most stores are departmentalized, and customers are accustomed to shopping this way. They like organized stores, and most like to be able to find merchandise quickly and easily on their own, even if they need help from a store sales associate. All of the elements of merchandising, when working together, will help accomplish this.

### **1. Salesfloor Layout**

**Grid Layout**—This is the simple, traditional layout for hardware/home improvement stores, with straight cross aisles leading off one or more main aisles into departments. This layout is neat and makes good use of space. Its main drawback is that it does not put the maximum amount of product in front of customers.

**Loop/Racetrack Layout**—This layout has the main traffic aisle circling the salesfloor. It gives every major department exposure on the main aisle. It moves customers through the store and lets them see merchandise in more departments. It provides more locations for endcaps, which helps create a value price image.

**Diagonal Layout**—This is a modification of the loop/racetrack layout and can be effective in smaller stores. It creates several triangular areas in the store and pulls customers to corners they might otherwise miss.

**Power Aisle**—This design works well for smaller salesfloors where a loop or race-

track is not practical. It is a double width aisle that runs the full length of the store.

**Departmental Cross Aisles**—These aisles feed off of the power aisle. The power aisle gives exposure to most major departments through the use of feature endcaps and provides room for impulse or promotional mass displays in the centre of the aisle. It makes maximum use of display area.

### **Project Centres and Demonstration**

**Areas**—These areas can be developed with any salesfloor layout. They can be used for classes, workshops or product demonstrations as well as collection points for how-to videos, books and other kinds of take-home project and product information. These areas should present products related to projects and focus attention on promoted merchandise. Signing should suggest projects, explain product features, benefits and price and highlight the value of home improvement projects. People want to participate in shopping, and classes, clinics and demonstrations appeal to this desire.

**Cube Display**—This is another way smaller stores can get the maximum amount of merchandise on the salesfloor. It means using higher fixtures with careful attention to the kinds of merchandise displayed on higher shelves. An effective way to use cube display is to put the higher fixtures in the back of the store to make more merchandise visible from the front and lead customers through the store.

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### **2. Interior Signing**

**Makes Shopping Easier**—Signing is key to making shopping easier for customers and giving them information to make intelligent buying decisions. Signs keep customers in the store longer, move them from department to department and suggest more items to purchase. In addition to department and aisle signs, shelf and product signs can convey shopping information.

**Provides Information**—Signs should tell price, savings, features, benefits and uses of products. They can create urgency by identifying items as one-time-only bargains or closeouts. They should be neat, easily read, eye catching and informative. Informational signs should describe the product, state its price, identify advertised items, flag new items, etc. In addition to giving customers instantaneous information, item/price signs help establish a value price image

**Department Signs**—These signs should be visible from the front of the store to help time-pressed customers quickly find what they are looking for. Departmental signs are different from decor and point-of-sale signs. They should be a regular part of your merchandise arrangement. They help any store, but they are essential on any salesfloor that is 5,000 square feet or larger.

### **3. Departmental Organization/ Cross Merchandising**

Cross merchandising is when you display products together that are used together in projects. This is especially effective for related items normally stocked in different departments. Cross-aisle merchandising is displaying related merchandise on facing shelves.

#### **Why Cross Merchandising Works**

- Customers want convenience and one-stop shopping.
- Cross merchandising suggests related items.
- It organizes products the way they are used.
- It can suggest better quality items.
- It appeals to consumers' desire to save time.
- It makes shopping easier.
- It gives customers project information.

#### **How to Use Cross Merchandising for Best Results**

- Look for opportunities to combine products from different departments.
- Take advantage of seasonal projects.
- Promote common household repair and maintenance projects.
- Display the pairs in the department where customers are most likely to go first.
- Look for vendor planograms that take advantage of cross merchandising.
- Use informative signing to compare benefits of good-better-best quality and remind customers of items that complete projects.

#### **Some Good Products to Cross Merchandise Together**

- Electric trimmers and extension cords
- Lawn sprinklers and garden hose
- Plungers and liquid drain cleaners
- Garden gloves and shovels
- Batteries and flashlights

### **4. Use of Space**

**Making Productive Use of Space**—Merchandising should organize products to make the most productive use of space. This involves setting shelves at heights that will clear merchandise but not waste space, adjusting hooks and bins to the size of the item and fitting long- and short-handled items together.

#### **Determining Which Products to Put**

**Where**—Retailers advertise products they think customers want. That same idea should govern what items are put in prime display space in the store. Keep the best display area for high-demand, fast-moving products. Putting slow-movers in prime space won't make them sell faster; it will only suggest to customers that the merchandise they want is in another store.

### **5. Use of Colour**

**Attracting with Colour**—Colour attracts customer attention, whether the colour is in the packaging or in the product itself. Try to take advantage of colour in organizing displays. Surrounding colour—walls, fixtures, etc.—should compliment the merchandise; it should not distract customer attention

away from products and packages.

### **6. Use of Lighting**

**Setting the Mood**—Lighting does more than let customers find their way through the store. It sets a mood and creates a shopping environment. Bright, well-lighted stores are more appealing than dark, poorly-lighted ones.

**Drawing Attention**—Lighting can draw attention to feature departments and highlight special areas of the store. It can enhance the colour and appearance of merchandise. For maximum effect, lighting should be replaced on a regular basis and before bulbs burn out. Fixtures should be cleaned every time lighting is changed.

### **7. Mass Displays**

**Enhancing Price Image**—Mass displays help enhance a store's price image. In the consumer's mind, high volume equals low price. Mass displays put a high volume of merchandise in front of the customer, with its accompanying message of economy and value pricing. Dump bins, feature endcaps, movable racks, stack displays and special promotional areas are the vehicles for effective mass displays.

**Displaying Loss Leaders**—Placing low-priced, loss-leader items in the front of the store adds to a low-price image. The first items customers see are the bargains. Products that are good candidates for mass display include bagged goods, stackable

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items, consumables, special buys, seasonal items, advertised specials and closeouts.

### 8. Interactive Technology

**Creating Fun and Excitement**—Putting some fun and excitement in shopping appeals to customers, especially younger customers who are accustomed to computers and other kinds of technology. They are willing to use interactive computer kiosks and touch-screen computers on the salesfloor to get information, to plan their own projects and to find out about product availability and even place their own special orders.

#### **Making You More Productive**—

Technology is not a replacement for knowledgeable salespeople, but it can make your job more productive. Interactive programs that produce a list of tools and materials for a project or an electronic version of how-to project brochures both lead customers to make purchases of all the items they need to complete a project.

### 9. Housekeeping

**A Daily Plan**—Careful and regular housekeeping creates a bright, clean, cheerful, uncluttered salesfloor. It helps customers find the items they are looking for and it improves the store's in-stock image. Typical housekeeping chores include:

- Clear aisles of obstacles such as boxes and totes being unpacked.
- Make sure there are no sharp items,

loose cord or cable or boxes protruding from shelves.

- Check shelf labels and price stickers to be sure they are neat, clean, complete and current.
- Check displays for orphan items and empty packages. Orphans are items that are in the wrong place, usually left by a customer who picked up an item in one department and left it in another. Empty packages should be removed and inventory checked—they could be a warning that a shoplifter has been at work.
- Check displays for shopworn or torn packaging and remove it. Customers view damaged packaging as old or damaged goods. It contributes to a perception that the store is not current in its product selection.
- Make sure displays are full and organized. It is not a good idea to shift the height of shelves or the position of hooks to cover empty displays. This can destroy the organization and eye appeal of a display and make it difficult for customers to find the items they want. The best solution is to review inventory order quantities and make sure displays are never empty.
- Dust merchandise on a regular basis, especially in departments where women frequently shop and that have a fashion element. Dusty merchandise equates to old, out-of-date merchandise.

## TYPES OF DISPLAYS

### Many Different Techniques—One Goal

There are various types of displays that you use every day in your merchandising efforts. They include endcaps, dump bins, checkout and service counter displays, rolling racks and bulk stack displays. Each one plays a unique role in a store's overall merchandising efforts, and each has the ability to dramatically increase sales of the products merchandised in them.

#### **They All Work Together**

All the different types of displays in your store work in conjunction with one another to provide a better and more organized shopping environment for your customers. They can help stimulate impulse purchases and give your store a better price image.

### 1. Endcap

**What It Is**—The displays at the end of each gondola run, called feature ends or endcaps, are highly effective. Whether or not endcaps are signed for special pricing, consumers assume the items stocked on them are on sale. Some manufacturers create displays with endcaps in mind, while many wholesalers have special programs that offer endcap displays and a seasonal rotation schedule.

#### **Why Feature Endcaps Work**

- Consumers expect to see endcaps in a

retail store.

- They expect to see sharp prices on the merchandise displayed there.
- They promote seasonal products.
- They highlight fashion items such as housewares and decorating products.
- They help close out overstocked inventory.
- They promote projects.
- They draw customers off the power aisle and into departments.
- They help you develop a competitive price image.
- They appeal to customers' desire to save time and money.
- They suggest home improvement ideas.

#### **Effectiveness of Endcaps Depends on**

- The display's attractiveness.
- The seasonal nature of the merchandise.
- Location in the store.
- Relationship to surrounding merchandise.
- Price.
- How well it has been advertised or promoted.
- Ease of accessibility.

#### **How to Use Feature Endcaps for Best Results**

- Promote price specials.
- Promote special buys.
- Choose low-priced consumables.
- Promote new items.
- Call attention to seasonal items.
- Tie in with advertised specials.
- Mass display items to clear out overstocks.
- Display related items, including how-to information.

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- Develop project themes.
- Limit the number of items to two or three.
- Choose related items.
- Design displays to increase customer convenience.
- Design signing to inform customers.
- Change frequently on a rotating schedule.
- Place a TV with a video demonstrating the product on the endcap display surrounded by the product so shoppers can see how to use the item.

### **2. Permanent Dump Bin**

**What It Is**—Permanent dump bins are power aisle displays that should be used to merchandise one-time special buys or closeouts. They are generally made of wire so the colour in the product packaging can help attract additional attention.

#### **Why Permanent Dump Bins Work**

- They create a sense of urgency to buy at a value price.
- They promote a closeout type sale.
- They promote a special deal the retailer is passing on to customers.
- They focus on products that customers can use everyday.
- They project the image of a special price that will not last long.
- They contribute to a competitive price image.
- They appeal to consumers' desire to save time and money.

#### **How to Use Permanent Dump Bins for Best Results**

- Choose products that have broad appeal.
- Choose items that customers use everyday.
- Choose consumable products.
- Choose low-ticket items.
- Choose items that can be sold for a very good price.
- Choose items that can be easily picked up.
- Promote special one-time buys.
- Promote seasonal items.
- Look for project starters to promote.
- Use colourful items to attract attention.
- Fill the dump bin with a single product and keep it full.
- Use signs to suggest a special sale or blowout price.
- Change the product selection frequently.
- Tie in with advertised specials.

#### **Good Items to Use in a Permanent Dump Bin**

- Duct tape
- Work gloves
- Painters tape
- Shop towels
- Steel wool
- Paint brush
- Extension cords
- Safety goggles
- Trash bags

### **3. Temporary Dump Bin**

**What It Is**— Like permanent dump bins, temporary dump bins are power aisle displays that should be used to merchandise one-time special buys or closeouts. The difference is that their disposable nature suggests a limited

time offer, which appeals to bargain hunters. They are generally made of cardboard and are supplied by manufacturers.

#### **Why Temporary/Disposable Dump Bins Work**

- They produce significant sales increases.
- They create a sense of urgency.
- They focus on seasonal products.
- They project the image of a special price that will not last long.
- They appeal to consumers' desire to save money and time.
- They contribute to a competitive price image.
- They promote extra bargains in the power aisle.
- They make shopping more enjoyable and fun.

#### **How to Use Temporary/Permanent Dump Bins for Best Results**

- Choose seasonal products.
- Choose low-ticket items.
- Choose items that can be easily picked up.
- Limit product selection to two or three items.
- Keep the display full and neat.
- Use signs to suggest a special sale.
- Change the product selection frequently.
- If the dump bin becomes damaged or worn, replace it.

#### **Good Items to Use in a Temporary/Disposable Dump Bin**

- Plant fertilizer
- Garden gloves
- Wasp/hornet killer

- Hose nozzles
- Kitchen sponges
- Car wash mitts

### **4. Checkout Display**

**What It Is**—Checkout displays are impulse-driven displays that remind customers of something they might have forgotten. They can either be contained in a cardboard merchandiser, placed in wire racks or peg hooks next to the checkout counter or placed directly on the sales counter.

#### **Why Checkout Displays Work**

- Everyone who comes into the store passes the checkout on the way out.
- Checkout counter displays remind customers of something they may have forgotten.
- They promote impulse sales.
- They put products within easy reach.
- They create a sense of urgency.
- They turn an unattractive backside of a checkout counter into prime selling area.
- They appeal to consumers' urge to save money.
- They add excitement to shopping.

#### **How to Use Checkout Displays for Best Results**

- Choose items that excite consumer interest.
- Choose impulse items.
- Choose consumable items.
- Choose items most customers recognize and use.
- Choose low-priced items.
- Choose items that will not be damaged by

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handling.

- Keep merchandise off the checkout counter; use the display area at the front of the checkstand.

### **Good Items to Use for Checkout Displays**

- Duct Tape
- Work Gloves
- WD-40
- Batteries
- Extension Cords
- Candy
- Snack Food

### **5. Service Counter Display**

**What It Is**—Like checkout displays, service counter displays are impulse-driven displays that remind customers of something they might have forgotten. Since customers often spend time waiting at the service counter for a service to be performed, these displays usually consist of a plastic or cardboard merchandiser or items placed directly on the service counter.

#### **Why Service Counter Displays Work**

- Displays suggest an additional purchase.
- They remind customers of something they may have forgotten.
- They give customers something to look at and think about while they wait.
- They may suggest another project.
- They may generate conversation that can lead to another sale or future project.
- They put products within easy reach.
- They can turn empty counter space into productive selling area.

- They appeal to customers' desire to save money and time.
- They add interest to shopping.
- They create a sense of urgency.

#### **How to Use Service Counter Displays for Best Results**

- Choose items that are small.
- Choose items that are not likely to be knocked off or spilled.
- Choose items that will not be damaged by handling.
- Choose impulse items.
- Choose consumable items.
- Choose items most customers recognize and use.
- Choose items that relate to the type of service being offered.
- Position items carefully—where consumers will see them but where they will not be in the way.
- Consider items that need a little explanation to generate questions that would result in sales.

#### **Good Products to Use in Service**

- ### **Counter Displays**
- WD-40
  - Key Chains
  - Lock Deicer
  - Safety Goggles
  - Utility Knife

### **6. Rolling Rack**

**What It Is**—As the name suggests, rolling racks are display units on wheels, usually consisting of a steel frame with several

shelves made of wire. They are easily moved from place to place on the salesfloor to make productive use of limited space.

#### **Why Rolling Racks with Signs Work**

- Rolling racks highlight related products in high-visibility areas.
- They make productive use of small space.
- They are adaptable; they can be used anywhere in the store, even outside.
- They display several different products but require minimum inventory.
- They can be moved easily and frequently.
- They create a sense of urgency when used in different locations.
- They can be effective with seasonal and everyday products.
- They appeal to consumers' desire to save money and time.

#### **How to Use Rolling Racks for Best Results**

- Choose related products.
- Choose products that are easily picked up.
- Choose products that are relatively low priced.
- Combine impulse items with needed items.
- Keep the racks in high-traffic, high-visibility locations.
- Use signs to increase sense of urgency.

#### **Good Products to Use in a Rolling Rack Display**

- Tape Rules
- Hammers
- Compound Snips
- Files
- Sanding Tools

- Diagonal Cutters

### **7. Stack Displays**

**What It Is**—Stack displays consist of any display where the merchandise is simply stacked on the salesfloor. It can include products in boxes, bags or nested together (such as trash cans.) It is one of the easiest display methods to use.

#### **Why Stack Displays Work**

- They bring excitement and urgency to large items and big-ticket merchandise.
- They put lots of product in a small amount of space.
- They focus consumer attention on the product.
- They create an image of value.
- They enhance a store's price image.
- They require no special fixtures, although platforms could be used.
- They appeal to consumers' desire to save money and time.
- They put excitement in shopping.

#### **How to Use Stack Displays for Best Results**

- Choose bagged or boxed items.
- Use colourful packaging to catch attention.
- Choose unpackaged items that stack conveniently.
- Choose items that require assembling and set them up.
- Choose seasonal items for special promotions.
- Tie in displays with advertised specials.

#### **Good Products to Use in a Stack Display**

- Lawn Fertilizer

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- Trash Cans
- Rock Salt
- Lawn Mowers
- Barbecue Grills
- Dog Food

### 8. Vignettes

**What It Is**— A Vignette (also called a store-within-a-store display) presents products the way consumers want to buy them. Vignettes add colour and interest and enhance your store image. Vignettes sell more than merchandise; they sell ideas and the desire to own by simulating a home setting.

#### Why Vignettes Work

- How-to merchandising gives customers ideas and suggestions on how to carry out the ideas.
- These displays show customers how they can use products at home, or shows how the products will look in their home.

#### How to Use Vignettes for Best Results

- You can combine merchandise from several departments and make the merchandise easy to see and touch.
- Vignette displays are more relaxed than packaged merchandise on shelves.
- Create a mini-room with two adjacent walls that incorporate a faux finish technique, window treatments, area rug, lighting, chair rail moulding, furniture and other home décor accessories.

## DEPARTMENTAL MERCHANDISING TIPS

### Different Departments Have Different Needs

Each core department in a hardware/home improvement store has special merchandising needs. This is due to the types of products stocked in each department as well as the types of customers visiting these departments. For example, your plumbing department might be very masculine in nature to attract professional plumbing contractors. Your paint department, on the other hand, probably has more of a decorative look and feel to attract more female shoppers. Understanding the various merchandising needs of the departments in your store will help you increase the productivity of each department.

### 1. Hardware

Merchandising the hardware department can be a challenge because of the great variety of items. Organization is key and the primary merchandising technique for this department is grouping related items.

#### Merchandising Tips

- Combine bulk and packaged merchandising for categories such as screws, nails, bolts and other fasteners.
- Take advantage of packaging and display programs available from vendors.
- Combine related item and vertical merchandising for items such as door locksets, entry sets, dead bolts, chain door guards, etc.

- Create a home security department.

### 2. Hand and Power Tools

Shoppers like to handle tools. They need information about how to use tools properly and safely and suggestions about appropriate accessories. This department should focus on how tools are used and what accessories should be used with them.

#### Merchandising Tips

- Space tools so there is enough room for customers to take them off the display.
- Use vertical merchandising to show different models in each tool category.
- Merchandise power tools with accessories.
- Set up in-use displays and provide a means for customers to use the tools.
- Display boxed power tools with models set up for customer use.
- Consider feature endcaps for project displays.
- Provide how-to project brochures.

### 3. Plumbing

Plumbing is primarily a service department that lends itself to related-item and how-to merchandising.

#### Merchandising Tips

- Separate fashion or decorating items such as faucets from service items such as fittings.
- Highlight fashion merchandise as part of a remodeling project or create shop or vignette displays.

- Organize service items as they will be used, putting related items close to each other.
- Combine vertical and horizontal merchandising for fittings and repair parts that are made of several materials and come in many sizes.
- Coordinate water systems and pumps with installation tools and materials.
- Provide how-to information on common household repair projects.

### 4. Electrical

Electrical combines impulse items such as light bulbs with service items such as wiring devices. Merchandising considerations include bulk versus packaged items, related items and how-to information.

#### Merchandising Tips

- Use vertical and horizontal merchandising for items in different sizes.
- Keep carded products in neat, orderly rows and types.
- Promote consumables such as light bulbs, flashlights and batteries.
- Group fashion or home décor items such as lighting fixtures, globes, lamp parts and decorative switch plates together.
- Consider using a ceiling cloud display for merchandising ceiling fans and ceiling mounted light fixtures.
- Provide how-to signs, brochures and other information.

### 5. Paint and Decorating

Paint and decorating products lead to proj-

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ects. Merchandising should suggest decorating ideas as well as provide products and how-to information. Couples and families shop in this department and will spend time there planning their projects. Techniques include project centres, mass displays, image displays and finished-product displays.

### **Merchandising Tips**

- Have a sit-down area with books, magazines and electronic planning assistance.
- Display samples of decorating materials.
- Colour coordinate decorating materials and accessories.
- Show paints, stains and other decorating materials in use.
- Mass display paint.
- Promote custom colour matching.
- Merchandise painting tools and sundries near paint and the paint mixing area.
- Group products by end use—for example, paint thinners and removers together, patching materials together.
- Use eye-level displays to promote better grades of painting supplies and materials.

### **6. Lawn and Garden**

Seasonality is a key merchandising factor in the lawn and garden department. Although core products, such as steel goods, are displayed year-round, seasonal merchandise is moved in quickly, promoted heavily and moved out.

### **Merchandising Tips**

- Merchandise seasonal items in high traffic

areas with promotional signing.

- During the season, assemble large items such as lawn mowers, snow blowers, wheelbarrows and garden carts.
- Group year-round lawn and garden tools by type.
- Group related items together—for example, garden hose with sprinklers; work gloves with garden tools.
- Group like products such as ready-to-use herbicides or insecticides together by end use.
- Provide use information with lawn and garden chemicals.
- Use sample boards to display bulk goods such as fencing that can be supplied from an outside stocking area.

### **7. Lumber/Building Materials**

The major merchandising issue for lumber and building materials is the customer who buys them. In home centres and lumber/building materials outlets, home-builders, contractors and other professionals buy in commodity quantities. Do-it-yourselfers usually want to plan a major remodeling project or pick and choose a few items for a repair project. Hardware stores, if they sell lumber and building materials at all, usually offer only a limited convenience selection.

### **Merchandising Tips**

- Provide help in planning projects.
- Make how-to project information available.
- Use signing to suggest tools and materials

needed to complete a project.

- Create displays that suggest home improvement projects.
- Offer installation or professional services.
- Have a special service desk or area for professional customers.

## **PROMOTIONAL MERCHANDISING**

### **Creating a Special Atmosphere**

During a sales promotion, perhaps more than any other time, your merchandising has to be well thought out in order to help drive sales. But it requires more than just setting up displays full of sales merchandise. You have to have a game plan for success—from planning and preparing the store to restocking and repricing merchandise after the sale is over.

### **1. Prepare the Store For a Sale**

**Create A Sales Atmosphere**—The sales-floor should create a sales atmosphere. Make it easy for shoppers to identify the advertised specials with attractive signs and feature displays. Use departmental signs so customers can find what they want without having to ask for directions. Clear all the aisles and leave them wide enough for shoppers to browse without bumping into each other.

**Merchandise Solutions**—Remember that customers do not really want products. It's

the old joke: The customer doesn't want a drill, they want to create a hole. Advertising will attract two kinds of shoppers. The first kind of shopper knows what he wants—fast service. He does not demand a lot of conversation and you can serve him best with complete, well-marked displays. The second kind of shopper needs help. Your promotion attracts him to the store, but he needs help to select the right size, type or model to buy. You serve this customer best by providing courtesy and product knowledge.

**Other Ways to Prepare the Store**—Give shoppers a chance to review your store's promotional offers with ad reprints as they enter the store. Put a copy in their bags as they check out. Not everyone who comes into the store during the promotion knows you are having one, so be sure to let them know. Give shoppers a copy of your store's ad and encourage them to return for an item they have overlooked.

**Show Them the Savings**—Many customers are skeptical about sale prices. To help protect your store's reputation:

- Put a "Sale" tag on every reduced item.
- Show the regular price and the sale price so the shopper can see what he saves by buying during the sale.
- Be sure the sale price offers a genuine savings.
- Make sure that identical items carry identical prices. When a shopper finds three different prices on the same product, they might develop a distrust for the store.

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### **2. Set Up Window Displays**

• To make shoppers and passers-by aware of your store's promotion, display your ad and the featured item in your store window, when possible, setting up the display before the ad runs.

### **3. Prepare Yourself For the Sale**

**People Make the Difference**—The store is not ready for a promotion until every salesperson knows what is advertised. They have to know where the item is located on the salesfloor, its regular price and its sale price. And even more important, they have to know how the value of a sale item compares to a comparable item at a regular price.

**Upselling Opportunities**—The shopper may come to the store to look at the 1/4" drill you advertised, but he may really need a 3/8" hammer drill. The salesperson does the customer and the store a disservice if he does not point out the more expensive drill's benefits. At the same time, he does not criticize the drill on sale, and if the customer decides that is the drill he wants, that is the drill you should sell.

### **4. Build Displays Of Featured Items**

**Let the Merchandise Sell Itself**—Retailers sometimes ask, "Do ads really sell merchandise?" The answer is probably, "No." Advertising creates an interest in, or a desire for, merchandise. But this interest

only brings the customer into the store where he can examine it. The merchandise usually sells itself.

**Clean, Attractive Displays**—You can help merchandise sell itself when you display it clearly and attractively. An attractive display of advertised items:

- Helps the shopper who saw it in the ad find it quickly and easily.
- Saves you time and effort in helping shoppers locate the item.

• Lets the shopper who did not see the ad know that the item is an advertised special.

**Display Related Items**—It is always good to display related items together to increase impulse sales, even when one of the items is not on sale. The shopper who comes in for paint may pick up a brush or the shopper who comes in for a fuse may pick up a dimmer switch. When you display related items together in the same general area you do the following:

- Let the shopper compare the sale item with those of different types and quality. This helps him understand that the sale item is really a bargain.
- Encourage the shopper to buy non-advertised items. In many cases, a store makes little or no money on the advertised items. If the shopper buys only the advertised product, the store probably makes no profit on the sale. But when you sell other items at normal margins you make the promotion pay off.
- Do the shopper a favor. In many cases, the

sale item, even though reduced in price, is not the shopper's best buy. When you display related items with the advertised special, you help him make the best choice.

### **5. Re-price**

A sale is not a sale unless the items return to their regular price after the event. You have deceived a shopper who comes in to the store for a weekend special if he can buy the item at the same price on Monday. When you fail to re-price at the end of a promotion:

- You cheat those who bought during the sale.
- You reduce the store's credibility in the eyes of the shopper.
- Shoppers do not appreciate the low sale prices.

### **6. Restock**

Restocking after a sale is a chore, but is absolutely necessary. If your promotion has been effective, your stocks are low or totally exhausted. Your display is probably in disarray. If you do not bring stocks back to normal, with merchandise rearranged, repriced, and, in some cases, moved back to its regular location, the store can end up losing more profits and customer respect than the promotional effort produced.

## **HOUSEKEEPING AND MAINTENANCE**

### **Keeping Everything Tidy**

Customers don't want to look at dirty products sitting on messy displays. It gives them the wrong impression. Careful and regular housekeeping creates a bright, clean, cheerful, uncluttered salesfloor. It helps customers find the items they are looking for and it improves the store's in-stock image. Your store probably has a regular housekeeping schedule for maintaining your merchandising efforts. If not, perhaps you can suggest that one be created.

### **1. Housekeeping Checklist**

**Clean Out the Clutter**—Clear aisles of obstacles such as boxes and totes being unpacked.

**Keep it Safe**—Make sure there are no sharp items, loose cord or cable or boxes protruding from shelves.

**Keep it Current**—Check shelf labels and price stickers to be sure they are neat, clean, complete and current.

**Find them a Home**—Check displays for orphan items and empty packages. Orphans are items that are in the wrong place, usually left by a customer who picked up an item in one department and left it in another. Empty packages should be removed and inventory checked—they could be a warning that a shoplifter has been at work.

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**Remove Damaged Packaging**—Check displays for shopworn or torn packaging and remove it. Customers view damaged packaging as old or damaged goods. It contributes to a perception that the store is not current in its product selection.

**Maintain Displays**—Make sure displays are full and organized. It is not a good idea to shift the height of shelves or the position of hooks to cover empty displays. This can destroy the organization and eye appeal of a display and make it difficult for customers to find the items they want. The best solution is to review inventory order quantities and make sure displays are never empty.

**Dust, Dust, Dust**—Dust merchandise regularly, especially in departments where women frequently shop and departments that have a fashion element. Dusty merchandise equates to old, out-of-date merchandise.

**Fronting is Key**—Make sure fronting is done throughout the store, typically on a daily basis. Fronting is making sure products are pulled to the front of the shelf, hook or bin. This puts product in front of the customer, makes effective use of product colour or packaging and reinforces a complete in-stock image.

### **2. Make Remerchandising Easier**

**Maintenance is Key**—An effective sales-floor is not attained—it is maintained. Since the merchandise you sell and the shoppers you serve change continuously, it is obvious

that you must remerchandise your salesfloor often. This is a tremendous chore, but when you plan carefully and approach the job in an organized way, you can do it with a minimum of effort. Here are five rules:

- List all improvements to be made.
- Assign a priority for each job to be done.
- Secure the merchandising aids you need to do the job.
- Advise everyone in the store what you plan to do and how they may be involved.
- Make each remerchandising project a merchandising training session—and practice good merchandising techniques.

### **EFFECTIVE MERCHANDISING DISPLAYS**

#### **Part Art and Part Science**

It's often been said that merchandising is part art and part science. The artistic portion relates to the overall aesthetics of the display and how it grabs attention and makes the product more appealing to the customer's senses. There is also some science involved as well, including what types of products work best in various displays, how they should be displayed and maintained.

#### **Put Someone In Charge**

One of the best ideas for creating and maintaining effective displays is for a store to have one employee who is in charge of planning and building the displays. If you feel you have a flair for merchandising, talk to your manager and propose the idea if

your store doesn't already have a plan like this in place.

### **1. Effective Endcaps**

**Density Matters**—Plan at least one endcap for every 400 square feet of retail salesfloor.

**Fill'er Up**—Make sure endcaps look full. When items are sold, make a decision to restock or move in new items.

**Promote Projects**—One option is to merchandise a product with one or two complementary or related items to fill out the display and to promote the sale of projects. A good example is merchandising paint with paint trays and rollers. Also be sure to include any how-to project literature or information that is available.

**A Balanced Approach**—There is an ongoing debate on how many items should be merchandised on any particular endcap. Studies suggest single-item endcaps make the most powerful impact and drive the largest sales increases with their massive display of products. However, limited inventory levels make building single-item endcaps difficult for many hardware stores. A good compromise is a balanced approach, with some of your endcaps having one item, while others throughout the store have two and some with a multiple number that promotes a project.

**Colour Grabs Attention**—Look for colourful packaging and eye-catching products that will grab customers' attention when stocked on an endcap.

**Use Some Non-Advertised Items**—Don't fill all of your endcaps with items that you have advertised in your circulars. Customers looking for circular items will search them out in their regular aisle locations. It makes sense to put certain circular items on an endcap, but don't limit your choice of products to circular items.

**Seasonal Scope**—Seasonal products make great endcap items. Consider maintaining one seasonal item for the entire quarter and price it lower than the competition to help improve your store's pricing image.

**New Products**—Endcaps are perfect for merchandising new products. Use your endcaps to help develop a reputation for having new products, and be sure to include signage that tells customers the item is new.

**Don't Confuse Customers**—Remember, endcaps need to make a strong visual statement and quickly tell customers what you are offering. Make sure your signage and related point-of-purchase materials relate to the product being merchandised and that it is easy for customers to understand.

**Rotation Schedule**—Rotating endcaps is a way you can outperform the competition. Most home improvement retailers rotate their endcaps less than once a month. Stores with the most productive salesfloors rotate endcaps about every two weeks, which exposes new products to customers each time they come in the store. It can also help bring in customers more often to see what is new.

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**Enhance Your Price Image**—Make sure several of your endcaps contain consumable items with retail pricing less than \$15. This will help enhance your store's pricing image with cost-conscious consumers.

### **2. Effective Use of Shelf Space**

**Don't Waste Shelf Space**—Hardware stores and home centres do not waste floor space nearly as often as they waste shelf space on sidewall fixtures and gondolas. Shelf space is wasted when a store:

- Overstocks one item while understocking another.
- Fails to refill bins or shelves when the basic stock is reduced.
- Stocks the same items in several places.
- Uses the wrong shelf profile.
- Does not relate shelf space to customer-demand fluctuations.

**Think Vertically**—It is more effective to merchandise most products vertically, displaying similar goods up and down, rather than stretching them out along a gondola. The shopper can stand in one spot and pick what he wants. The display is more attractive and it is a lot easier to reorder and restock.

**Shelf Configuration**—Although the shelf profile is only one element in effective display, it is an important one. If you use the wrong shelf profile, you cannot build a display that will generate maximum sales. The way the shelf is placed on the fixture is only

one element in successful merchandising. How you arrange the merchandise on the shelves is also important. Three quick tips:

- **Eye Level Profitability**—Display the most profitable items between belt and eye level, for this represents the best selling height on any display.

- **Show as much as possible**—Displaying as much merchandise on the shelf as possible will avoid backroom stock and will give customers an impression that you can fulfill all of their product needs.

- **Shop and Compare**—Use the “good, better, best” approach whenever possible so the shopper has a choice of quality at different price points.

- **Adjust the shelves for the merchandise they display.** If shelves are too far apart vertically, you waste space and the salesfloor looks understocked. If shelves are too close together or not set back properly, the shopper cannot see merchandise on the lower shelves without bending over.

### **3. General Display Suggestions**

**Use a Pyramid Profile**—This is where the widest shelves are at the bottom. It lets the shopper see the most merchandise. Shelves the same width, however, are best to mass display items the same size and shape.

**Don't Hide the Merchandise**—Never place shelves so close together that the top shelf hides binned or boxed merchandise on the lower shelves. Shelves are for display--

not for storage. And no top shelf should ever be wider than those below, except on a sidewall or gondola over six feet high where the shelf is used more for storage than for display.

**Slow Movers**—Display slow-moving and low-priced items farthest from the customer's reach. Always use prime display space for high-demand, seasonal, impulse or promotional items.

**Make Your Merchandise POP**—Use point-of-purchase signs to call attention to hot items in each department.

**Make Pricing Consistent**—No display is fully effective or complete until the merchandise is priced. Not only must the items be priced, but the prices must be consistent.

**Keep it Stocked and Fronted**—Keeping displays neat and well stocked is one of the most effective “tricks” in merchandising. The last thing you should do every night or the first thing you should do every morning is move packages to the front of the shelf which will make your displays look full and neat.

## **MERCHANDISING SUMMARY/GLOSSARY**

### **Keep Your Merchandising Fresh ... In Your Mind**

There are many things you have to remember on a daily basis to make your store's merchandising efforts succeed. We've compiled a merchandising summary checklist to keep handy as well as a glossary of merchandising

terminology that you should know.

### **1. Merchandising Summary (At a Glance)**

- Display slow-moving and low-priced items farthest from the customer's reach.
- Always use prime display space for high-demand, seasonal, impulse or promotional items.
- The best selling height on any display is between eye and belt level.
- Action, light and colour attract attention to any display.
- Take advantage of colour in products and packaging.
- Tailor background colours to enhance, not overshadow, merchandise.
- No display is fully effective or complete until the merchandise is priced. And not only must the items be priced, but the prices must be consistent.
- If feature displays do not blend with other displays around them, they may repel rather than attract.
- Keeping displays neat and well stocked is one of the most effective “tricks” in merchandising. The last thing you should do every night or the first thing you should do every morning is move products to the front of the shelf to make your displays look full and neat.
- Give high-demand items prime space. High-demand departments and service areas draw customers throughout the store.
- Highlight special promotions, top-selling

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items and new products on feature endcaps.

- Remerchandise promotional and impulse displays on a regular schedule. Every two weeks at a minimum.
- Group product lines in vertical displays.
- Feature top-of-the-line items prominently.
- Put slow-moving items in display areas farthest from customers' reach.
- Follow a logical-use sequence in setting up horizontal groupings of related items.
- Use cross-aisle merchandising for maximum product exposure and to promote related items from different departments.
- Display related items together.
- A pyramid profile with the widest shelves at the bottom lets the shopper see the most merchandise. Shelves the same width, however, are best to mass display items the same size and shape.
- Never place shelves so close together that the top shelf hides binned or boxed merchandise on the lower shelves. Shelves are for display—not for storage.
- Use point-of-sale (POS) signs to draw attention to hot items in each department and provide product and price information.
- Integrate vendor-supplied displays and point-of-sale materials into the total sales-floor design.
- Keep displays neat, clean and full.

### **2. Glossary of Merchandising Terms**

#### **Back-Up Card**

- A card placed on perfbord hook or on perfbord indicating size, number, selling price and other information concerning the item that will be displayed at that spot.

#### **Cross-Aisle Merchandising**

- Displaying related merchandise on facing shelves.

#### **Cross Merchandising**

- Displaying products together that are used together.
- Especially effective for related items normally stocked in different departments.

#### **Departmental Lead-In**

- Items with greatest impulse value displayed on the edge of the shelf and near the main traffic aisle to draw customers into the aisle.

#### **Display Board**

- Board or panel displaying assembled merchandise.
- Shows customers how merchandise is used or how projects can be completed.

#### **Dump Bins**

- Bulk display units in which fast-moving (impulse) items can be “dumped” without stacking or placing on regular fixtures.
- Used in heavy traffic areas such as power aisles or near checkout counters.

#### **Endcap**

- Prime display space on any salesfloor—located at the end of a run of gondolas or fixtures. Also called feature-ends.

- Use for promotional items, specials, advertised items, seasonal items, new items and impulse merchandise.

#### **Eye-Level Merchandising**

- Displaying the fastest-selling and most profitable merchandise from waist to eye level—40 to 60 inches above the floor.

#### **Facing**

- The number of similar products exposed on a shelf; the number of facings relates to sales demand.

#### **Fronting**

- Pulling merchandise to the front of the shelf, hook or bin.

#### **Gondola**

- Another term for a section of store fixture or shelving on which products are placed.

#### **Grouping**

- Organizing merchandise in logical groups such as colour or related uses.

#### **Hands-On Displays**

- Removing items from packages so customers can handle or use the product before buying it.

#### **Hang Tags**

- Informational tags that hang on merchandise and list quality features, performance specifications and similar information that helps the consumer reach a buying decision.

#### **Headers**

- Signs for use in a merchandising display with a selling message, product identification, brand name identification or similar information.

#### **Horizontal Merchandising**

- Displaying related product items in horizontal sections. Used primarily for merchandise such as bolts, pipe fittings and electrical items that come in several types and sizes.
- Another use of horizontal merchandising involves stocking items in the order in which they are used to complete a project. An example would be materials for a painting project.

#### **Impulse Displays**

- Dump bins, movable racks, stack displays and feature endcaps that promote seasonal items, special buys, advertised specials, new products, close-outs or price specials in power aisles and other high-traffic areas.

#### **Left-to-Right**

- Used for merchandise of different sizes. Smallest sizes are at the upper left of the display; largest sizes at lower right.
- Lets customers move through the assortment as though they were paging through a book.

#### **Pallet Displays**

- When merchandise that arrives on a shipping pallet is placed on the salesfloor while still on the pallet.

#### **Pegging**

- Placement of merchandise on shelf hooks. Some items are binned and some hung on hooks.
- Items pegged must be carded or have some way of being hung on perfbord display or shelf hook.

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### **Planogram**

- Diagram showing where and how merchandise is displayed within the store. It tells store personnel and management where every item is located.

### **Platform**

- Flat display unit used to display seasonal or bulky merchandise.

### **Project Displays**

- Merchandise related to a single project displayed with informative signs, how-to brochures and other informative material.

### **Related Items**

- Products that are used together, such as garden tools and garden gloves; mowers and gas cans.

### **Sampling**

- Putting one item in its designated area to check spacing, arrangement and overall effect before all items are stocked.

### **Shelf Pack**

- The inner carton in a master pack.

### **Shelf Profile**

- Refers to the width of shelves, the distance between them and whether they are straight or inclined.

### **SKU (Stock Keeping Unit)**

- Refers to each single item carried by a retailer. Every size, every style and every item having its own vendor number is a stock keeping unit with its own SKUnumber.

### **Stock Out**

- When a shelf is empty where a particular product is supposed to be placed—denotes you are sold out and out of stock on this item.

### **Vertical Merchandising**

- Displaying related product categories in vertical sections.
- Gives customers full view of related merchandise in one spot and encourages related item sales.
- Largest items displayed on lower shelves.

