'Point' to be noted - Impulse Sales and Merchandising at the POS

While shopping lists are an integral part of any major Food & Grocery purchase, it is an established fact that in the modern retail environment a significant part of purchase decisions do take place in the store itself.

Impulse buying refers to purchase of products that are not part of the shopping list of customers i.e. the decision to buy the product is made in the store itself at the spur of the moment because the customer feels a connect towards the product or the offer. Impulse purchases have higher incidence in modern formats as these are larger in size and customer is free to move around and browse the merchandise as compared to over- the-counter traditional formats. For a retailer, the first step in driving impulse purchase involves making the customer aware of the product - customer should see the product and hence premium is charged to brands for more prominent locations in stores. Since the product is not a part of the customer's shopping list, the product should remind the customer of a need or create an excitement or urge to buy. Sometimes the need factor is communicated by placing the product adjacent to complementary categories which may be on customers' shopping list. In some cases retailers create a sense of urgency or exclusivity to drive the purchase e.g. limited offers.

The POS or Point-of-Sale is an important place for inducing impulse purchase in a store, especially in Food & Grocery formats. More often than not customers spend many minutes queued up at POS – this is the time when their mind is free from the task of 'finishing the shopping' and their mobility and attention is limited to the POS area. Hence this presents a good place and time to capture their relatively undivided attention and divert their focus towards specific products and promotions.

Also, several customers, who are regular with grocery stores, tend to fall in the routine of following the same paths and going to only the same aisles. While customers can skip aisles they cannot skip the POS, and for such customers, a well-merchandised POS helps in exposure to impulse products they may have missed.

POS represents the final opportunity to tempt a customer to buy products and is the closest point to sales closure– hence customers have least time for changing their minds about an impulse purchase done at POS.

Different types of products are displayed at POS. In most cases products are small to avoid clutter around the POS and not too expensive or time consuming complicated purchases since customers are already through with putting effort in shopping and would not want to invest more effort for POS purchases. Most common products we see around POS are chocolates, confectionery, snacks, drinks, magazines, gift/ decorative items, batteries, DVDs etc. Products displayed by retailers usually fall in one of the following categories:

- Indulgence and impulse items – These are mostly not part of the shopping lists because they are not necessary purchases. Most of the products in this category are anyways high on impulse

purchase e.g. more than 75% of chocolate purchases are impulse buys. Other items include magazines, key chains etc

- Utility items – These are small items which usually get forgotten in main shopping lists or picked up on after thought e.g. batteries, lip balm etc
- Promotional items – These are new brands, products, variants or special promotions which otherwise get lost in clutter in their own product category aisles
- Other items - Many retailers put high margin products including their private labels near the POS or use it as a means of quickly diluting unwanted or near expiry product inventory. Hence, it is also quite common to find various products with attractive offers and schemes in this area

The effectiveness of POS merchandising begins with retailers understanding their customers. While different customers have different tastes, the POS space is limited and the key is to know which product categories would drive more impulse sales than others in their customer base. It is however very important that retailers keep the following in mind:

- The first role of the POS is sales closure and POS merchandise should not create delays or cause inconvenience to the customers in this process. POS merchandise should not inhibit or constrain shopping cart movement
- POS products must add value to store and not create clutter– too many product categories or too much communication material at the POS can actually spoil the shopping experience, cause fatigue and actually negatively impact POS sales. POS merchandize should be visually appealing, organized and well-displayed with strategic adjacencies
- It is important that POS products do not take too much of customer time in decision making. If a product is new /not a regular product, then the POS should clearly contain all information (price, features, usage and benefits) a customer may need to know about it. If the customer still feels the need of enquiry, comparison etc., high probability it won't be a popular item at POS
- Products should be visible and accessible– if they are out of customer hand's reach there is a high probability the product won't reach the shopping cart either. The products should also not be in cases or locked-up since customers in hurry and not in active shopping mode don't like to take pains of seeking help to access the product. The ability for a customer to interact with a product— touch, smell or hold it increases impulse buys
- It may be a good idea to place products at POS so that customers are able to have a view of some merchandise in adjacent lanes in stores with multi-lane checkouts. Line of sight is also important while merchandising for POS since anything too high may miss the customer attention altogether
- It is also important that POS merchandizing is updated at regular intervals so that the novelty and 'impulse' factor does not die out for regular customers

Organized retail is still a small and evolving phenomenon in India. In the Food & Grocery category, organized formats contribute to less than 3% of category sales (US $ 9 Bn of US$ 325 Bn category size). There are only a few thousand organized Food & Grocery outlets across the country (even of these only ~ 300 are hypermarkets), compared to ~12 million traditional outlets. Indian customers also do not have high expectations from POS merchandise and hence it is not surprising that POS is not a focus area for most retailers who do not put much thought behind products displayed there.

While POS products may not be significant contributors to store sales, they should not be treated merely as a way to fill space and target customers with a deluge of products at the last minute. These are strategic locations to drive impulse sales and add to the overall shopping experience of the customer. As customer expectations evolve, competition intensifies and retailers develop better understanding of their customers, POS merchandising is set to receive higher attention. The challenge is to make the POS move from being an add-on opportunity to being an integral part of store sales and merchandising strategy.

Authored by:

Pragya Singh- Principal Consultant, Retail and Consumer Products