

Effectiveness of In-Store Displays in a Virtual Store Environment

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Abstract

This article examines in-store display effectiveness in an online grocery store and concentrates on two main issues. First, considering the more artificial and functional virtual store environment, we examine whether online in-store displays (ISD) produce a similar boost in sales as they do in offline stores. Second, we examine the moderating effect of display characteristics by comparing the effects of different display types. The results show that (1) online ISD can substantially increase brand sales and (2) ISD that preempt competition through a first-order and isolated position outperform ISD that attempt to make the product stand out in the shopping zone.

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In-store displays (ISD) are frequently used in brick-and-mortar (B&M) stores to bring products to the attention of potential customers. Several studies have provided strong empirical evidence that by drawing attention to specific products, ISD can substantially increase brand sales (Bemmar and Mouchoux 1991; Dhar, Hoch, and Kumar 2001; East, Eftchiadou, and Williamson 2003; McKinnon, Kelly, and Doyle 1981; Wilkinson, Mason, and Paskoy 1982). With the same objective, displays in online grocery stores, such as promotional signs or in-store ads that highlight specific products to stimulate their sales, are gaining popularity (e.g., www.netgrocer.com, www.peapod.com, www.tesco.com; Appendix A presents the displays used in this study). Online stores can not only benefit from lower costs and more flexibility with regard to ISD on their Web site (e.g., they can change the content with just a few mouse clicks), they also have the opportunity to take advantage of targeted, one-to-one marketing (e.g., displays customized according to each customer's prior purchase history) (Bakos 2001; Zhang and Krishnamurthi 2004).

Whether such ISD effectively increase brand sales in online stores has not yet been examined, nor is the answer clear in

advance. On the one hand, there are indications that online shoppers may react differently to specific marketing mix instruments, such as price and brand name, and that they are less likely to switch brands in response to marketing incentives compared to offline shoppers (e.g., Andrews and Currim 2004; Chu, Chintagunta, and Cebollada 2008; Degeratu, Rangaswamy, and Wu 2000; Laroche et al. 2005). On the other hand, several studies demonstrate that online shoppers can be equally susceptible to the influence of environmental in-store stimuli, and their product attention may depend on online merchandising instruments, such as shelf space and position (e.g., Breugelmans, Campo, and Gijsbrechts 2007; Vrechopoulos et al. 2004). Therefore, it remains uncertain whether the positive effects of ISD in a B&M store will also be attained in an online store.

In addition to the overall effectiveness of online ISD, we also know little about the factors that determine their effectiveness. Better insight into the moderating factors of ISD could improve our understanding of how displays work and offer useful guidelines to retailers and manufacturers for developing in-store marketing plans (Grewal and Levy 2007). In this research, we focus on the moderating effect of display characteristics and examine differences in the effectiveness of display types that differ in their attention- and competition-related features. Some displays try to catch shoppers' attention at the start of the shopping process and preempt competition by taking up a first-order, isolated position; others focus on making the product stand out on the cluttered shelf to influence the purchase decisions of customers by providing the right cue at the right time and

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place. The online environment—which systematically records all marketing actions, including the type of display—offers an ideal setting for determining which display strategy is most effective.

To shed more light on these issues, we first test whether ISD stimulate brand sales in a virtual shopping context by estimating a hierarchical brand market share and category sales model using data from a large online grocery store. In addition, to gain insight into the most effective display type with regard to increasing brand sales, we examine differences across three major online display types that serve distinct objectives and differ on important attention- and competition-related characteristics. In line with traditional B&M classifications, we distinguish between store entrance (first screen), aisle, and shelf tag displays. We use our estimated models to test the significance of the different display effects and compare their magnitude across display types. To increase the external validity of the results and test for potential category-specific effects, we also examine effects of ISD for ten different fast moving consumer goods (FMCG) categories.

Our results show that ISD can substantially increase brand market share in online stores, and that their effectiveness strongly depends on the display type. Online ISD that preempt competition through a first-order and isolated position clearly outperform those that target interested buyers in the shopping zone. Overall, we find a high degree of consistency in the results across the ten investigated FMCG categories. Our study contributes to the marketing and retailing literature in several ways. We fill an important gap in the online shopping literature by examining the online effectiveness of an in-store marketing instrument that is highly effective in offline settings but that has received little attention thus far in online research. We show that at least some online grocery shoppers are susceptible to influences from the virtual store environment. In addition, our research makes an important contribution to the in-store marketing literature in general by clarifying and testing differential effectiveness across display types that differ in their characteristics and strategy. The advantages of preempting competition by being early in the shopping process consistently seem to dominate the possible advantages of targeting shoppers at the specific time and place they make their choices.

Identifying and understanding the overall effectiveness of online ISD, as well as the impact of strategic display characteristics, is of crucial importance for effective planning of marketing actions—not just for manufacturers that must decide on the mix of in-store incentives but also for retailers that have to determine a cost structure and allocation of display space to different display types (Ailawadi et al. 2009). Our research thus provides useful guidelines to optimize the use of online ISD (Grewal and Levy 2007, 2009).

In the next section, we discuss and derive propositions about the overall effectiveness of ISD in an online grocery shopping context, as well as differences in effectiveness across display types. Next, we describe the empirical setting and models we use to test our propositions. After presenting the main results, we end with a discussion of conclusions and managerial implications, as well as interesting directions for further research.

Effectiveness of online ISD

Overall effectiveness of ISD in an online shopping context

The main mechanism underlying effects of ISD consists of an increase in visual attention at the point of purchase (Chandon et al. 2009). Displays highlight specific products, such as by adding signals or marks (e.g., tags), changing the presentation layout (e.g., special storage method), or presenting the product in a different, often more isolated area of the shelf or store (e.g., end-of-aisle displays). According to psychological and consumer behavior literature, these changes in the store environment attract attention and stimulate exploratory behavior (e.g., Babin and Darden 1995; Donovan and Rossiter 1982). In addition, many customers seem to interpret ISD as signals or cues of a good deal (Inman, McAlister, and Hoyer 1990). In low involvement, repeat buying situations, such as grocery purchases, these cues tend to increase a displayed product's purchase probability, because customers do not want to go through a complete search and evaluation procedure but instead prefer to settle for satisfying outcomes obtained with minimum effort (Hoyer and MacInnis 2010). Whether ISD have similar positive effects on product sales in online stores thus depends on the extent to which they attract customer attention and signal a good deal, as well as the characteristics of the online shopper segment, including its sensitivity to environmental incentives and cues in a more organized and “sterile” virtual store environment.

We expect ISD to have similar attention-drawing and signaling effects in online as in offline grocery stores for several reasons. Most online grocery stores offer large assortments, a wide variety of choice alternatives, and extensive product and promotional information, so online shoppers tend to confront a sense of information overload similar to that faced by B&M shoppers. Online ISD that highlight specific products change the store environment and thus may play an important role in attracting customer attention and stimulating exploratory behavior. In addition, online ISD may signal a good deal, just as in an offline store, which reinforces the attention-catching effect.

As online grocery shoppers display similar low involvement and time constraints as B&M shoppers (Verhoef and Langerak 2001), they should also experience the need to simplify their decision process using choice heuristics or cues (Hoyer and MacInnis 2010). The extent to which they rely on ISD as a choice tactic or react to them also depends on their sensitivity to store environment influences and their willingness to change purchase plans. Previous research distinguishes two groups of consumers who differ in their self-regulation tendency and sensitivity to environmental stimuli (Babin and Darden 1995). Action-oriented consumers are guided more by intrinsic goals and less prone to emotional and environmental influences. They are characterized by a stronger tendency to plan their behavior in advance and follow these preformed intentions rather than change their behavior in response to environmental incentives (Babin and Darden 1995). State-oriented consumers instead are more guided by social and emotional elements and less likely to plan their behavior in advance. They often act without prior justification (e.g., decide on the spot), engage in exploratory

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