

▼ ↓ HALLOWEEN FLASH SALE | FINANCIAL MO ... @80% OFF!

**WallStreetMojo**

All Courses ▼

**Cost Control and Management** ▼**Merchandising**

Last Updated : 21 Aug, 2024

Blog Author : Susmita Pathak

Edited by : Ashish Kumar Srivastav

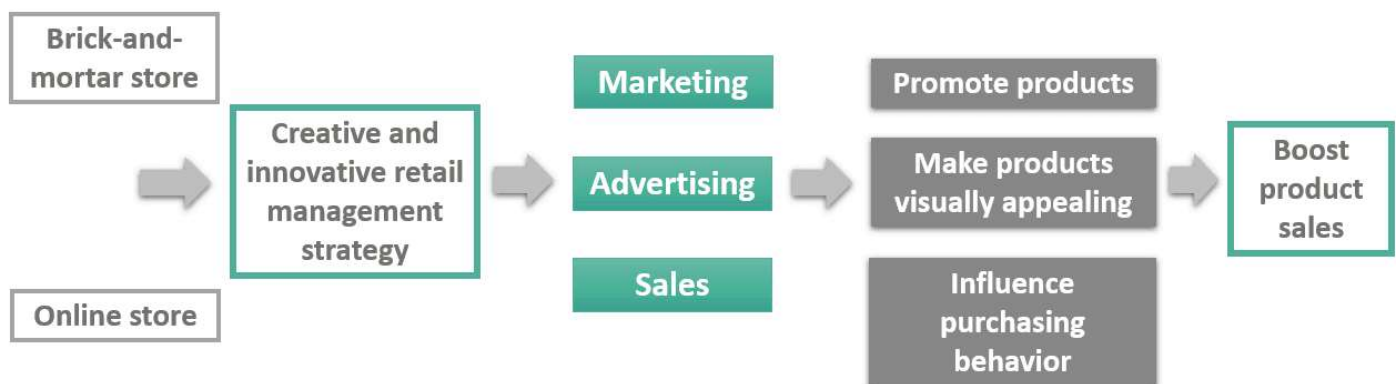
Reviewed by : Dheeraj Vaidya, CFA, FRM

Table Of Contents ▼**Merchandising Meaning**

Merchandising refers to the marketing and sales approach for promoting goods at retail outlets and influencing consumer behavior, thus boosting sales. It constitutes a vital part of retail management and makes products visually appealing to buyers at a brick-and-mortar or online store.

The in-store and on-store promotional strategy may consider display designs, free samples, discounts, coupons, points-of-sale, quantity, pricing, etc. It, therefore, ensures increased sales by making items on display presentable. Essentially, the concept entails using creativity and innovation to display and sell items to encourage customers to purchase. As a result, companies can meet their sales targets with ease.

What is Merchandising?



- Merchandising is a marketing and sales strategy for promoting products in retail stores and influencing consumer behavior to increase sales. For a corporation that sells tangible goods, it may result in higher labor and material costs.
- The approach comprises displaying and selling goods using originality and innovation to entice customers to buy, whether from a physical or digital store.
- Packaging designs, free samples, discounts, coupons, points-of-sale, quantity and pricing, and so on are all part of the in-store and on-store promotional strategy.

- Individual purchase behavior, culture, holidays, and weather impact the merchandising business. Product, retail, digital, visual, and omnichannel are its most popular classifications.

How Does Merchandising Work?

The Merchandising definition describes the process of determining the best strategy for attracting customers to a physical or digital store's merchandise. In simpler words, it is a technique employed by both brick-and-mortar and online retailers, which involves designing the store, displaying products aesthetically, using competitive pricing, conveying their worth, and providing a seamless customer experience. The overall strategy can result in increased labor and material expenses for a company that sells tangible things.

Merchandising Strategies



As soon as a consumer enters a physical store, the first thing that functions is their vision. As a result, it is critical to keep products organized to make them presentable. Consumers are more likely to notice visually appealing goods than randomly stocked ones. Another technique to persuade customers to buy things displayed in the store is to use shelf-signage ads and giveaways.

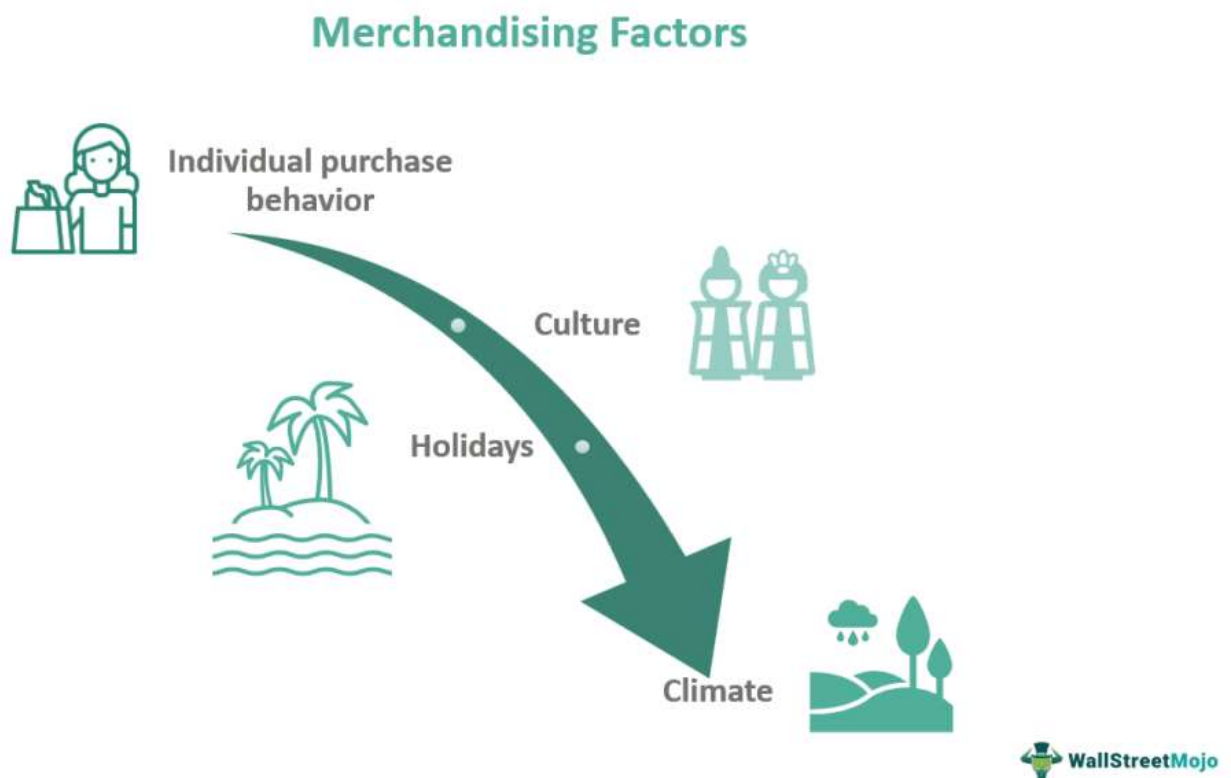
When a product enters the market, its price is one of the first things, which grab the consumers' attention. The cost of incorporating the factors of production and other tactics to develop the product determines the price. When the product arrives at a retail store with suitable packaging, it immediately attracts customers. It is one method of implementing

the merchandising plan effectively. The next step is to display discount banners to ensure shoppers visit the discount rows and pick such things without hesitation.

In the case of online stores, customers must be able to make a purchasing decision based on the display and other facts, such as pricing, materials, and ingredients. Above all, when it comes to buying online, reliable customer service is a must.

Merchandising Facts

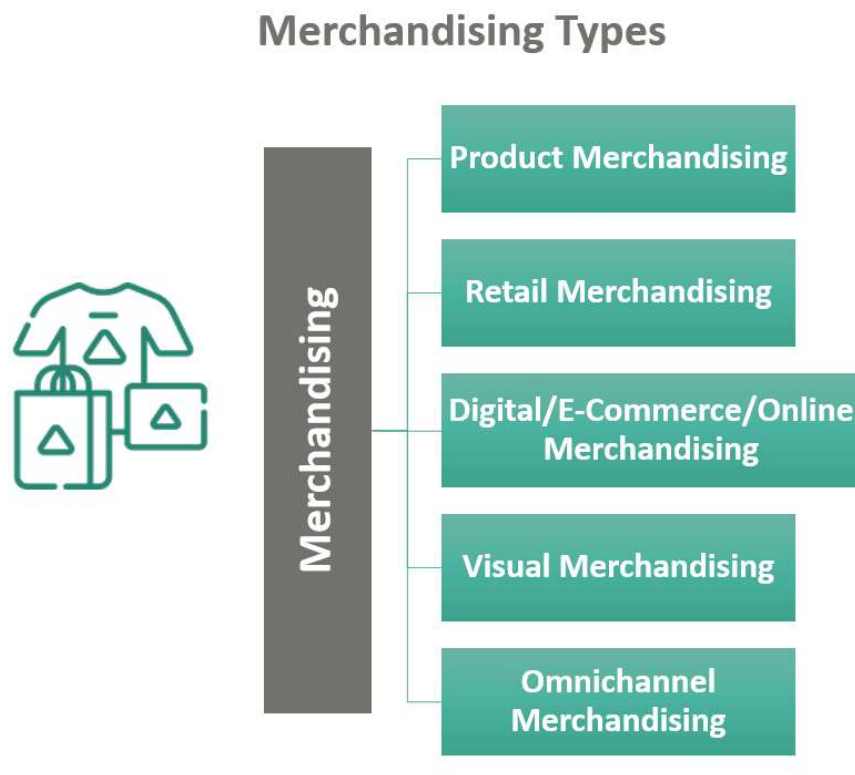
- Individual buying habits change with the culture, season, and climate. Customers are more inclined to spend throughout particular seasons of the year.



- The demeanor of store employees often acts as a decisive element in a consumer's decision. However, when people go to a store to buy anything, they consider various other factors.
- Selling-in-person, on-the-spot demonstrations, and special deals are all essential elements of this plan.
- The strategy depends on the type of merchandise, quality of products, the type of the retailer, and the amount of space available.
- It necessitates constant innovation and creativity from merchants.
- The approach aims to increase product sales by persuading clients to make purchases.

Types Of Merchandising

Merchandising business can be of multiple types based on the strategy it uses. However, here are a few of them to provide a better understanding of the concept:



1. Product Merchandising

Both in-store and online stores use these promotional activities to increase products sales. It deals with presenting physical or digital products in a way that customers will spend money on them. This method could involve correctly packaging the product or featuring product photographs on the website.

2. Retail Merchandising

It refers to promotional and marketing strategies used for the presentation of products in brick-and-mortar stores. When it comes to displaying products within a retail store, arranging them orderly is crucial besides the behavior of salespersons.

3. Digital/E-Commerce/Online Merchandising

Products on e-commerce websites, unlike those in traditional stores, are hard to assess. As a result, online retailers focus on the performance of their website and put the necessary information on display alongside products. Also, they have an efficient and instant customer care service to manage customer inquiries. Other promotional efforts may include social

media and email marketing. With this, digital platforms gain the trust of consumers and a devoted consumer base.

4. Visual Merchandising

Stores display the product design, packaging, benefits, and related information, such as pricing and discount, to encourage consumers to buy instantly. Advertisement banners and signage are the best ways to make this approach impactful for increased product sales. Other presentation elements used by physical and digital stores can include spacing, color selection, lighting, web design, online videos, etc.

5. Omnichannel Merchandising

It includes providing robust [customer support](#) to customers across all platforms (brick-and-mortar and online). It, thus, helps them decide whether to purchase a particular product or look for something else.

Merchandising Business Examples

Here are some examples to get a better understanding of the approach:

Example #1

In the United States, seasonal holidays have traditionally had a considerable impact on retail sales. Many merchandising companies, including Best Buy, Walmart, and Macy's, witness increased product sales during festivals. Home Depot Inc., a home improvement company, is the latest to join the list. A few years before 2020, the corporation began to [rethink](#) its strategy and provide massive discounts on products, which resulted in a significant increase in sales on Black Friday and other festivities.

Example #2

Nike Inc., an American sportswear brand, entered an agreement with the National Basketball Association (NBA) in June 2015. The eight-year arrangement, which began with the 2017-2018 season, allowed the brand to become the NBA's first official on-court apparel partner, with its emblem appearing on team uniforms. It was part of its business strategy to increase sales of its sportswear goods across different consumer segments.

Frequently Asked Questions (FAQs)

What does merchandising mean?

Merchandising is a sales, marketing, and promotional technique used by brick-and-mortar and online retailers to boost their sales. They focus on designing stores, showcasing products beautifully, pricing competitively, conveying value, and providing a seamless consumer experience. The type and quality of products, the type of store, consumer spending behavior, and the available space help determine the strategy. Furthermore, face-to-face selling, on-the-spot demonstrations, and special offers are all crucial aspects of the process.

What are the types of merchandising?

The four common types of merchandising are:

- Product (making product design and appearance attractive at in-store and online stores)
- Retail (making products organized and presentable at retail outlets)
- Digital (making goods presentable online through web design and product images)
- Visual (making products appealing at physical and digital stores using signage, spacing, color selection, lighting, web design, etc.)
- Omnichannel (providing efficient customer service across all platforms)

What are the five rights of merchandising?

The five 'rights' of merchandising are displaying the right product at the right store at the right time in the right quantity at the right price to encourage customers for purchases.

Company



Our Policies



Resources



Partner with us



Support



Connect With Us



Top Categories



Blog Categories



Free Courses



Disclaimer: Copyright © 2024. CFA Institute Does Not Endorse, Promote Or Warrant The Accuracy Or Quality Of WallStreetMojo.
CFA® And Chartered Financial Analyst® Are Registered Trademarks Owned By CFA Institute.