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THE IMPACT OF VISUAL CUES AND SERVICE BEHAVIOR ON THE CONSUMER RETAIL EXPERIENCE

by

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The Impact of Visual Cues and Service Behavior on the Consumer Retail Experience

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ABSTRACT

With product differentiation low in the retail industry, businesses need to create strong brand images and increase customer loyalty in order to remain competitive. Visual merchandising is one tool that businesses have to communicate their message in a compelling and strategic manner. Within the scope of visual merchandising there are a number of atmospherics, or cues, which include visual, tactile, and auditory, that can be used in conjunction with one another to influence consumer behavior. Service encounters also have a strong influence on the consumer retail experience and must be managed effectively to make sure their influence is positive. All of these factors can greatly affect a business’s bottom line and must be fully understood in order to work in its favor.
Introduction

The retail business has been evolving in recent years from a focus on product to a focus on the space within the store. The consumer experience, which includes anything from digital experiences, interactions, and retail or customer service, has now become most important aspect of retail. This shift has been necessary due to the high proliferation of product offerings. Since product differentiation is relatively low, retailers are forced to differentiate based on brand in addition to consumer experiences. Branding extends beyond the product; it also includes store environment, creating consumer loyalty, and differentiating from competitors.

The retail industry exists in a very competitive environment, which requires retailers to create and maintain customer loyalty in order to ensure continuous visits. They accomplish this through creating an emotional attachment between the consumer and their store. This emotional attachment can be influenced by a number of factors including ambience, layout, design, and visual merchandising.

Visual merchandising is described as the process of displaying products in an appealing way in order to attract the consumer and persuade them to buy. Some even refer to it as the ‘silent salesman’. Many retailers use visual merchandising as a way to communicate their message to the consumer in a unique and creative way.

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2 Ibid
5 Ibid
Visual merchandising uses a variety of tools including mannequins, forms, fixtures, colors, themes, platforms, and much more. The aspects of the store that are essential in creating an interior display are layout, design, space, signage, item display, and assortment display. The exterior display is limited to window displays and the storefront.\(^6\)

Within the scope of visual merchandising and visual displays, there are a number of visual cues, also known as visual atmospherics that can influence consumer perceptions. Visual atmospherics refer to the brightness, color, shape, and size of a store. These cues can have a psychological impact to the point of influencing mood and emotional state. Research has found that visual stimulation can have direct positive effects on consumer shopping behavior.\(^7\)

Another type of atmospherics is in the tactile realm. Tactile atmospherics refers to the softness and smoothness of the product and other consumer touch points, as well as temperature of the store. These are important features specifically to the apparel retail industry. The importance of touch in regards to clothing stresses the need to create consumer-accessible displays. There is also research reporting that consumers are more likely to purchase something with which they have physically interacted.\(^8\)


\(^8\) Ibid
The consumer retail experience is not only shaped by visual cues, it can also be greatly affected by service encounters. The interactions that frontline workers have with customers can shape customer satisfaction and their willingness to purchase. These interactions provide the opportunity to tailor service to each individual customer. The ability to customize customer experiences will influence brand loyalty, and likeliness to return to the store. Satisfaction of the employee could influence the value of products presented to the customer as well as service delivered.9

Thus, there are a number of factors that can influence consumer purchase behavior in a retail environment. The purpose of this paper is to analyze all of the different elements of visual merchandising, as well as, associate service behavior, and measure their effects on consumer purchase decisions. This analysis is important because of the financial impact these decisions can have on a business’s bottom line.

**Consumer Perspective on Visual Displays**

Consumer perceptions are what a person observes, selects, organizes, and reacts to. These consumer perceptions influence the way a retailer approaches visual merchandising. Understanding what features of a product are most important to a consumer and what they actually see when accessing a display, are essential to executing successful visual merchandising. According to Blythe, the perception process has four essential steps, which are exposure, attention, interpretation, and

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Each customer will perceive differently the messages apparel retailers create with their visual displays. First, after being exposed, they either choose to pay attention or ignore it, they form their own judgment of the display by accepting and molding that image around their own experiences, needs, and opinions, and then the message is stored in their memory. If the retailer can understand this process, it can adapt its visual displays to best serve its customer.

**Atmospherics and Their Impact**

As mentioned earlier, there are a number of different sensory cues within the scope of visual merchandising that can influence the consumer's willingness to purchase. These sensory cues, also known as atmospherics include: visual, auditory, olfactory, tactile, taste, and multisensory. For the purpose of this project I will be focusing on visual, tactile, and multisensory. I chose these three atmospherics in particular due to their direct influence in a fashion retail environment. In this section I focus on sensory cues as it relates specifically to visual merchandising in a retail setting.

Visual atmospherics (brightness, size, shape, and color of space) has been known to demand the most attention and resources from retailers because it was thought to be the most important aspect of visual merchandising. However, recent research has suggested that this may not be the case and that other, nonvisual

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atmospherics could produce a greater return on investment.\textsuperscript{13} This research suggests that overall, a multisensory experience offers the most functional benefits to businesses, including an increase in sales. As suggested by cognitive neuroscience and marketing research, utilizing multisensory atmospherics produces greater outcomes than focusing on a single sensory cue.\textsuperscript{14}

Visual cues still play an important role in influencing shopping behavior. For example: improving the lighting over a certain display increases the time shoppers spend inspecting the display as well as the number of products touched. Bellizzi and Hite also found that retail consumers prefer blue lights to red due to their relaxing qualities. This preference correlates to longer browsing times and increased purchase intent.\textsuperscript{15} Another important consideration in regards to visual cues is the complexity of the display. The more sophisticated the consumer, the more they will appreciate or understand a complex display. However, in a retail setting, you might be better off using a less complex display depending on your target market.\textsuperscript{16}

Research has continually proven that visual cues influence consumers to shop longer and potentially purchase more. However, the method in which to achieve that outcome is not strictly defined.


\textsuperscript{14} Ibid.


Tactile atmospherics (softness, smoothness, and temperature of products) are a very important aspect to retail merchandising due to the nature of the business. The ability to interact with the product, especially with clothing purchases, is essential. Consumers are more likely to purchase a product, potentially even at a higher price, that they have picked up and touched. Some retail businesses may need to consider the possible contamination of product, such as a newspaper where people will reach for one from anywhere but the top of the pile, after consumers have physically interacted with it, however, that is not the case with clothing retail.\textsuperscript{17} Tactile atmospherics are an important tool used by retailers to make the customer feel comfortable in their store. The ability to interact with the merchandise is essential for the fashion retail consumer and is an important influencer of purchase intent.

In regards to temperature of the store, little research has explored this topic. However, one study conducted with multiple fashion retailers (Macy’s, Old Navy, Bergdorf) found that temperature correlated negatively with price of merchandise. The more expensive the product was, the colder the temperature in the store. Colder temperatures could benefit businesses because studies have shown that colder temperatures lead to more emotional purchase decisions.\textsuperscript{18}

Multisensory atmospherics are a combination of many sensory cues and are important because, when utilized, they are seen as more pleasing for the customer than stores that only engage one of the five senses. When considering the use of


\textsuperscript{18} Ibid
multisensory atmospherics it is important to ensure congruency across the board. This means aligning the messages being sent via touch, sound, smell, and sight. Expressing a consistent message to the consumer enhances their experience and helps management control customer perceptions.¹⁹

A study done by Mattila and Wirtz in 2001 concluded that when scent and music in a certain environment were congruent, the customer experience was more positive and they even showed higher potential for impulse purchases with greater satisfaction.²⁰ It is important to use multisensory atmospherics carefully as to not overload the consumer’s senses. Retailers must strive to find the optimal levels of stimulation in order to see positive changes to customer behavior and perception.

All of the sensory cues listed above play a significant role in the effective use of visual merchandising. If a retailer can understand the way in which these cues affect consumer behavior, they can control the perceptions and behavior of their consumer in ways that will benefit their bottom line.

**Service Experiences and Its Influences**

Visual merchandising is one tool that can be utilized to influence consumer behavior and perceptions; however, there are a number of additional influences within the retail environment. One of these is the service encounter consumers have with frontline workers, which is the main concern and focus of managers. This is due to the importance of the encounter and its function as the best opportunity for

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service customization. A study conducted in 2008 by Heskett, Jones, Loveman, Sasser, and Schlesinger, examined the impact of employee satisfaction and loyalty on the value of products and service provided to the consumer. Especially in service positions, the real cost comes from loss of productivity and decreased customer satisfaction. By assigning a hard value on soft measures, such as customer satisfaction and loyalty, employee satisfaction and loyalty, and employee productivity, managers can use this information to increase customer satisfaction and loyalty and assess the impact on profit. Every company uses a different type of measurement process but the key is to not only look at individual measures, but also a more comprehensive picture.

There are a number of factors that have been found to influence a customer’s level of satisfaction with any particular service encounter. These include: the physical surroundings, interactions among customers at the location, content and style of the service encounter, and the direct interaction with the frontline employee. Service encounters are goal-oriented and limited in scope and since the two individuals are strangers, there is a need for relationship management.

These frontline workers, being the ones directly interacting with the consumer, have a duty to create a relationship with the consumer in order to achieve a positive service encounter. The cues that these workers project can have a

direct impact on aforementioned encounter. Auditory, visual, olfactory, and tactile cues can all be expressed. Examples include: tone of voice, appearance and dress, perfume or odor, and a touch of the arm. These cues can directly affect the consumer’s behavior, perception, or emotion.\textsuperscript{24} It has been found that, for a positive interaction, facial expressions and behavior displayed by the salesperson should match those portrayed by the consumer. According to Puccinelli, salespersons that project a positive emotion when the customer is feeling somber can reduce the customer’s willingness to purchase.\textsuperscript{25}

Customers will often use their mood or feelings as information. Because of this, customers will form judgments based on their feelings and are more easily persuaded by messages that align with their current mood. Research on this topic suggests that people prefer those who share similar attitudes and vice versa. However, dissimilarity has a stronger effect on the consumer than likeness. The unlikeness of a salesperson from the customer becomes less important when the purchase decision increases in importance. They will be more likely to ignore their feelings in order to focus on the features of the product.\textsuperscript{26}

Understanding the effects of service encounters and how the consumer reacts to these encounters can help managers and businesses increase customer satisfaction, customer loyalty, and profit. Being able to coach associates in the most


\textsuperscript{26} Ibid
effective methods of providing service will also increase the efficiency of both managers and employees.

**Why Do Businesses Care?**

The concepts discussed in this paper have strong implications in a business setting. This information provides a tool that businesses can utilize to influence sales, revenue, and thus profits. It can be used to shape the company’s reputation, brand, and image in the consumers mind. If a company can successfully employ these strategies and tactics, it can strengthen its customer loyalty, ensure effective utilization of visual and service resources, and, in turn, improve its bottom line.

**Internship Experience**

During the summer of 2015 I completed an internship with Macy’s in Salt Lake City. Although I was an intern, I was essentially in a Sales Manager position while I shadowed different executives in the store, learned about the Sales Associate position, and got to know the company and how it operated on a daily basis.

During my internship experience with Macy’s, I completed a capstone project of my choosing within my assigned department. My department was Men’s with a focus on Men’s Suits and tailored clothing. Macy’s gave us (interns) a choice of three topics, one of which was a ‘wild card’ option where we got to create our own project. I decided to create my own project due to my lack of interest in the other topic choices. My project was to drive sales in my area, Men’s Suits, through a mixture of visual merchandising and sales coaching techniques. I chose this area and department because it had a high performing sales team yet sales were trending well below the company standard.
**Visual Merchandising**

In order to determine if visual merchandising cues would actually impact sales, I worked with the Merchandise Team Manager to arrange a floor move. A floor move, in a fashion retail setting, is re-merchandising the layout, product, and design of the store. This change would include rearranging product, changing visual displays, and altering the layout of the department.

The first step was to rearrange the existing product in the department. There was a large section of dress pants in the suits area that were out of place. According to the store directive, the pants belonged in a different area, separate from the suits. After moving these to the correct area, we were left with a lot of extra space that would allow us to make the space feel much more open and in turn more luxurious to shop. We were able to create a more inviting sitting area for our guests as well as highlight the items on the back wall better by decreasing the amount of clutter throughout the department.

The second step was to utilize the extra space to feature the suits and create an open layout with a better flow throughout. The openness of the department made it easier for the consumer to shop and enabled us to feature more product, rather than just squeezing it in to any available slot. The more accessible and visible the product, the better the sales will be.

Just by completing these two steps, we were able to bring the suits department back up to the directive’s standards. Following the store’s directive is important because it creates a sense of consistency among all Macy’s stores, promotes the new trends and products, and communicates the current ‘story’ that
the store is trying to communicate. For example: during the Christmas season, the color scheme of stores will likely be red, green, silver, and gold whereas during the Fourth of July, the color scheme would be red, white, and blue.

The third step was to recreate the visual displays in the area to match the product being promoted as well as the story being told. We worked to redress and rearrange the mannequins, redesigned the shelving units on the walls and the images presented on them, and changed the signage, banners, and promotional materials. Every season the store will receive new, on-trend product. Because of this, visual displays must be rotated often in order to remain up-to-date with the inventory. Since the suits area had not been updated recently, most of the mannequins featured older product, some of which only a few pieces remained in the store. For that reason we updated the style of the figures to convey a more consistent message with what product was being promoted. All of these steps worked in congruency with one another to communicate a single, strong brand image to the consumer.

*Coaching of Associates*

The second half of my project was working with associates to understand the shortcomings and successes within my department and to learn how these were affecting sales. Macy’s is constantly measuring performance of its associates and executives and delivering results via an individual and team scorecard. The Men’s department scorecard provided me with a foundation on which to build. I learned that there were no outstanding sellers in the department, they had missed their
team goal, they were exceeding their goal on credit applications, and the year-to-date results were better than their results from the past few months.

During my time working with the sales associates in the department, I learned that there was one individual whom I will call Steve, who specialized in suits and spent the majority of his shifts in the suit department. Although others would fill his place when he was not working or if he was on a break, he spent his 40 hours a week in that specific area. This is important when considering sales and the consumer experience because the impact of one person is greater than you might think. For example: one study, conducted by Lin, Po, and Orellan, found that of 121 unique customers surveyed, 47.1 percent said that their shopping behavior was influenced by the service provided by the frontline worker. The same study found that when customers were not offered help from the sales associate then the probability of not purchasing anything was 95.9 percent. However, if a clerk, in the same general circumstances, assisted the customer, the purchase probability was 100 percent. Positive customer interactions with helpful associates will prompt purchases.27

Although Steve had the most product knowledge about the area, he did not work well with some of the other associates on his team due to some past arguments and he called out (did not show up for his shifts) 26.3 percent of the time I was working on my project. Another issue I discovered while observing his interactions with customers was that he seemed very uninterested, quiet and shy,

and often times ignored customers in his area. All of these factors could have been influencing sales in the department.

During my short time working in the department, approximately four weeks, I worked on increasing the product knowledge of the other associates so that they could more effectively sell suits when Steve was not around. I also coached Steve to try to encourage him to approach more customers in a friendly manner and ask more questions to really get to know the customer and understand their needs. I spoke with the executive team about his attendance issues but was notified that due to a Human Resources arrangement he had, nothing could be done about his absences.

Results

Two weeks after the floor move and coaching, the department had experienced a 0.4 percent increase in sales and after four weeks maintained a 0.1 percent increase. As a comparison, when looking at sales, in the same department, across all of the store locations, at the two-week mark the company was up 0.3 percent but after four weeks it fell by 0.6 percent. The week before the start of my project the suits department was only meeting approximately 42 percent of its goal and was trending well below the rest of the company but after completion of my project they were reaching approximately 85 percent of their goal and had begun trending above the company as a whole.

In regards to the effectiveness of the visual merchandising aspects of this project, there were some very interesting results. First, suits that were featured on mannequins or were displayed on an aisle in a high traffic area saw a spike in sales.
For example: Calvin Klein suits, previously placed centrally in the suit department and were moved to an aisle, saw an 11.6 percent increase in sales as a percentage of the goal. As a comparison, the company saw a negative 2.8 percent change.

I was also able to identify that the biggest opportunity for the department was its people. Product knowledge is essential in areas where the product is more specialized. During my time working in the department, Steve increased his average sale by about 20 dollars and went from failing to reach his sales goal to reaching 114 percent of his goal.

**Conclusion**

The utilization of visual merchandising in a retail environment is essential for businesses to effectively influence consumer purchase decisions and to differentiate from one another. Through the usage of a variety of atmospherics, companies can communicate with their customers and encourage certain desired behaviors. Because of high product proliferations, companies have been shifting from a focus on product to a focus on brand and the consumer experience within their stores. The ability of these businesses to differentiate in these areas can greatly impact consumer loyalty, purchase intent, and their bottom line.

The competitive environment that is retail has encouraged businesses to build an emotional connection between stores, products, and consumers. These emotional attachments can be influenced by any of the factors of visual merchandising such as layout, design, ambience, and displays. Not only can visual merchandising influence the consumers, the service provided also has an impact. Customer satisfaction is key to willingness to purchase and the interactions that
consumers have with these frontline workers can influence their decision. If the retailer is able to understand these influencers and how to manipulate them in their favor, business will be positively affected. It gives the power back to the business and allows them to control how their customers will interact with and perceive their brand and product.

**Reflection**

The process of completing this research was long and strenuous but overall very rewarding. I believe that the most difficult part of this journey was the beginning due to the difficulty of choosing a topic and figuring out how to tackle it. There is nothing more daunting than staring at a blank page and trying to write the first few words. Due to my internship experience, however, this process was made easier since I had something to build off of. Being able to research something relevant to the work experience I gained with Macy’s made this process not only easier, but much more exciting and relevant to my life and future career.

As I mentioned above, getting the first few words down on paper was a struggle, but once you begin, it is hard to stop. Once you have a clear direction and a defined purpose, the words just begin to flow out of you. My method was as follows: pick a topic that was relevant to my time spent at Macy’s, find relevant research, organize the research and determine what is useful, outline the paper based on the research and my internship experience, and then get everything down on paper. Once you have all of your research, writing the paper is actually quite simple.

My internship experience was invaluable to me as a student and as someone joining the professional world. It not only turned into a job after graduation, it
served as a great learning opportunity. As a student sometimes you don’t realize how many resources and opportunities you have at your fingertips. People care about your success and truly want to help you achieve your goals. During my time at Macy’s I had the opportunity to shadow nearly every position within the store as well as the district. They were completely open to me and were willing to teach me anything I wanted to learn. If I wanted to learn how to do something and was willing to put in the effort, there were limitless possibilities. The people that I had the pleasure of working with were genuinely interested in my goals and interests as well. They did not just see me as another pair of hands to help them with their work for eight weeks. This experience allowed me to grow as an individual, taught me the importance of asking questions and learning as much as possible, gave me the insight into my career goals and what I want in my professional life, and it gave me the chance to start to transition from college student to working professional. I would highly encourage everyone to complete at least one internship during his or her college experience and to take advantage of that time to learn as much as you can about the company and position, yourself, and life after school.

I was torn at the beginning of this semester trying to decide whether or not I would actually complete my honors thesis. I had a bad case of senioritis, I had a full class load, and I just did not want to take the time to write what I saw as a horribly daunting and boring paper. I talked to my peers, family, and professors hoping that someone would give me a good excuse not to write it, but no surprise, that did not happen. I even told myself it wasn’t that important to graduate with honors. However, when I really started to think about it, I began to realize that it would be
ridiculous not to complete my thesis. I had gone through so much both academically and personally and had grown so much as an individual, all because of the honors program that I knew I had to see it through. What was one more paper anyways? Once I had fully dedicated myself to completing the process, the path was smooth.

I have learned so much throughout this process and am extremely grateful for the experience. I would have regretted the choice not to complete my research simply because I was feeling lazy and unmotivated. It is the final piece to the puzzle that is the undergraduate experience and will be something that I cherish for a lifetime. The honors program, specifically Huntsman Scholars, has given me the best years of my life, the best friends I could ask for, and the strongest, most supportive network of people that anyone could ask for. Finishing my honors thesis is the perfect way to end the perfect undergraduate experience.