1. INTRODUCTION

In today’s competitive world differentiation in market offerings is of prime importance to customers. Country’s economy is changing rapidly with the changing global economy. Customers buying behavior is also changing along with increase in their purchasing power. The buying atmosphere in the retail is one of customers’ necessities as there are little distinguishing features in retailers’ offerings. Hence, the customers approach towards hedonic needs is increasing. This is why, in this fiercely competing retail industry, retailers’ needs to focus on visual merchandising to fulfill customer’s requirement. A successful retail outlet should have unique and uniform image created in the mind of consumer that pervade all products. Visual merchandising can help create a distinct image and help retailer to enhance sales of the outlet successfully. Customers always have mental image created because of perception about store and its offerings. It is said that most perceptions are build visually, that is the reason why an outlet must have an inviting appeal.

1.1 Retail

Retail has caught lot of attention in the past one decade with one of the growth areas in the global economy. It has witnessed a high growth rate in the developed countries, while for the emerging countries it is on exponential growth. India is the one of most attractive retail destination globally from among thirty emerging markets. The changing economic scenario of the country, purchasing power of consumers has also increased. Hence, in terms of purchasing power parity (PPP), India is ranked 4th largest economy after USA, China and Japan. India is basically a young country with large youth population. ‘In the coming years, about 70 per cent of the world’s growth is likely to come from emerging markets out of which 40 per cent contribution is from China and India, alone. These forecasts and industry prospects suggest that emerging markets are likely to gain investors interest in the future’ (KPMG, 2014). Hence, it is conducive environment for growth of this sector. Indian retail market is expected to grow with the compounded annual growth rate of 12-13 per cent by 2018-19 which would be worth INR55 trillion (KPMG, 2014). The Indian retail industry is divided into organized and unorganized sectors. One of the major contributors is the modernized retail format that is, “The Shopping Mall- the one stop destination”. In India, retail industry contributes 10 per cent of the GDP and 8 per cent of the employment (IBEF, 2014). The Indian retail market is estimated at US$ 520 billion (E&Y-Rai, 2014). But organized retail is
estimated at only US$ 8 billion. There are over 14 million outlets operating in the country out of which only 4 per cent are larger than 500 sq. ft. in size…There are around 11 retail outlets in India for every 1000 people which are mainly family owned business with requirement of modernization (KPMG, 2014). Organized retail, which constitutes of 10 per cent of total retail market, will continue to grow much faster such that will reach at the growth of 20 per cent by 2020 (E&Y-Rai, 2014).

The key drivers for the immense growth in this sector are changing consumer profile and demographics, increase in the number of foreign brand available in the market, economic implications of the Government, increase in urbanization, credit availability, improvement in infrastructure, increasing investment in technology and real estate, building a world class environment for the consumers. India’s overall retail sector is expected to reach 1.3 trillion USD by 2020. India stands on 20th rank in Global Retail Development Index (Kearney, 2014). Apparel and home furnishing category are two fastest growing categories in Indian retail since twelve years (ASSOCHAM, 2014). It has slipped by nine ranks from the last year. Contribution of modern retail is maximum 10 per cent, in fashion and clothing segment it is 33 per cent of the total retail sector. Annual rise in the demand of the readymade and western outfits is growing at 40-45 per cent (CCI, 2014). By 2025, 55 per cent of mid-market apparel sales will come from emerging market (Keller, et al, 2014). There are various other developments in apparel retailing like the manufacturing of private label is outsourced. The contribution of consumer durables 8 per cent of the total retail sector. In furniture, retail market has shown modern retailers setting up home furnishing sections in the hypermarket or starting exclusive specialty store. It is giving a stiff competition to local retailers and carpenters.

**Figure 1: Retail Market Segments**

Source: Deloitte Retail, (2013), "Indian Retail Market: Opening More Doors"
The sector is witnessing an influx of large domestic conglomerates such as Reliance Group, Future Group, AV Birla Group and international conglomerates such as Wal-Mart, Carrefour, and Tesco. Indian Government has given permission for 51 per cent of FDI under single-brand product retailing. In November 2011, Government of India announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike and Apple. In January 2012, Government approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100 per cent ownership. With the penetration of FDI, retail industry in India is expected to grow by 15 to 20 per cent in next five years (Kearney, 2012). The FDI inflows in single-brand retail trading during the period April 2000 - July 2014 stood at Rs 842.53 crores (US$ 137.70 million) in a report (IBEF, 2014). This development in retail creates fierce competition in the industry. Foreign retail chains entering India will aggravate the competition to different level. There is one more development in the Indian retail which is giving tough competition to retail outlet players. Lot of people are moving to online shopping. There are almost one million small and large online retailers...These retailers now also sell their products through mobile applications like Flipkart, Amazon, Myntra, Jabong, Snapdeal, etc (IBEF, 2014). In the latest research it is found that online shopping may increase by 350 per cent...As a result of which footfalls in shopping malls will tumble in city by 48.2 per cent (TOI, 2014). Hence, the retailers have to ensure that store appeals to the customers. In such case the retailers need to differentiate themselves from others.

The similarity of merchandise in the fashion or apparel, electronics and furniture segment forces the industry to utilize visual merchandising to improve the desirability of the product, differentiate their product and enhance the impulse buying behavior. Merchandising can create differential advantage to the retailers (Christiaans et al, 2009). Retail industry is changing rapidly. Since, the country is getting more competitive in terms of retail industry; visual merchandising is the only effective way of differentiating in fashion industry (Dabholkar, 1996). The last thing a customer wants is similarity in merchandise. The innovation in store chain is very weak. Indian consumers are becoming more aware about the latest fashion and design and also in the innovation of the store space. They also want state of art products that have good quality and are of global standards and experience that also meets global standards. Visual merchandising or highest visual
appeal is the only technique to create euphoria in fashion industry by store presentation which should be successfully coordinated (Diamond and Diamond, 2007). There are various institutes in the country providing courses on visual merchandising. Retailers by incorporating innovative usage of store space can match the consumers’ expectations and give strong competition. There is no longer a trend of typical store format/design. Hence, it becomes important to study visual merchandising in fashion industry and help the marketers to understand the way they can differentiate themselves from competitors. This is done with the help of creative architects and designers along with visual merchandisers who creates a unique environment that has functional values.

1.2 Rationale of Study

Retail industry across the world is growing tremendously. India too is growing with a rapid speed due to which there is cut throat competition prevailing in this industry. There are many reforms happening in Indian retail industry these days including FDI in retailing leading to international players entering market and also online shopping. Retailers, in this competition, want to create a unique image of their store in the mind of customers and wants that store should appeal to their audience. As discussed above, differentiating merchandise is too difficult for retailers; hence merchandise display plays a pivotal role in creating differentiation. Perception of consumers regarding store visual merchandising may be significant in relation to their buying behavior (Ortega, 2011). Appearance of store is important to create impression of it, which helps consumers in decision making for their purchase. Retailers now use varied ways of merchandise display in the store to attract more customers. Hence, this topic has now become part of research for marketing and studying consumer behavior. Visual merchandising in India is at its nascent stage and is developing. There is little research done on this topic in India, therefore this study will provide an insight as to why visual merchandising is important for buying behavior of customers and in terms of retailers it will help in creating differentiation, unique positioning of store, strategic marketing plan, enhances store sales and improve its brand equity.
1.3 Conceptual Definition

Impulse Buying Behavior: Impulse buying behavior is consumer’s experience which is sudden, powerful and persistent urge of buying something immediately which was not planned to be bought (Jeffrey and Hodge, 2007, Rook and Fisher, 1995).

Window Display: Window display of the store is located in store front. A window is most important part of the store as it communicates style, content and price-point pertaining to the store merchandise (Yildirim, et al, 2007).

Mannequin Display: Human form displayed in the store made of different type of material like plastic, fibre, etc on which merchandise of the store is represented. Consumers are attracted to the beauty of it and to the clothes displayed on it (Tidy, 2012).

In-Store Form: Headless mannequin in the store representing part or parts of human body – torso, bust, shoulder to waist, hips to ankles, etc.

Façade: It is the face or front of a store or mall. It reflects the image of store or brand, as it offers the first impression to passersby.

Store Layout: This refers to ways the store utilizes floor area to facilitate and promote sales and serve customers (Farese, et al, 2009).

Floor Merchandising: It includes effective presentation of merchandise on a variety of fixtures like gondolas, tables, cubes, racks, display cases and island display (Mopidevi and Lolla, 2013). Gondolas are long, flat-bottomed merchandise container with straight, upright sides, usually designed to hold adjustable shelves and may be combined with cabinets or storage area below. There can be a centre-divider panel, which then makes the gondola double-sided with shelves on either side. Gondolas are commonly used in groups on the selling floor and oriented towards aisles. A merchandise presentation or fixture that can be approached from all the sides. It gives the shopper access to the merchandise from any side.

Aisle: An aisle is, in general, a space to walk, with rows of seats on either side or with rows of seats on one side and a wall on the other.
**Signage:** This refers to signs, labels, shelf tags and other identification signs to provide directions, prices, or information on merchandise or policies (Arora, et al, 2007).

**Merchandise Display:** This refers to appropriate selection of merchandise and display (Zentes, et al, 2007) mechanism so that it becomes optically appealing and attracts customer.

**Props:** The articles used along with merchandise to support its display are known as prop. It clarifies the function of particular product and is integral part of a display.

**Creative Style and Trend Co-ordination:** This refers to how the products are arranged in a furniture store. Creativity, colour combination, latest trend and style of arranging furniture and inspiration of how to arrange furniture creatively at home.

**Store Environment:** The elements such as hygiene, ambience, music, lighting, and store temperature that influence customers’ perception and helps them stay more in the store is known as store environment.

**Wall Mount Display:** In the electronics retail outlets display of Television, LCDs and LEDs that are made clinging to wall which gives customers idea regarding appearance of it.

**Store Front:** Store signs, marquee (canopy), banners, awnings, windows, entrance, and other exterior designs are part of store front. It shows the brand, identity of the store and helps in differentiating the store from its competitors (Farese, et al, 2009).

**1.4 Conceptual Framework**

In impulse buying usually customers do not have specific purpose of visiting the store and shopping, the behavior happens after experiencing an urge to buy (Beatty & Ferrell, 1998) and such behavior is influenced by internal states and environmental/external factors. Focused merchandising, intelligent store design and layout, and other visual merchandising practices, such as product displays, packaging, and signage can be used as guidance by the retailers to help the customers to find the right products (Abrams, 1996; Baker, et al, 1992). The correlation between consumers’ beliefs about the physical attractiveness of a store and patronage intentions (Darden, et al, 1983) suggests that the visual aspect of the store may be significant in relation to the consumers’ choice of a store and buying behavior. Window display would be an important criterion for the
customers to make a decision if they make it on first impression (Iqbal et al, 2011). Often retailers overlook at the display communication which influences consumer buying behavior (Fernie, 1996; Fernie & Fernie, 1997). But, what a retailer feels hurt about is, when the shopper in the door, down the aisle and in front of the product, and for whatever reason, they don’t buy (Underhill, 2009). Hence, it is best way to catch customer’s attention so window display should not be ignored (Dawes, 2008). As visual merchandising encourages consumer buying behavior, it is expected to be found in consumer behavior and marketing literature. But though there is limited lucid or significant literature available for this subject. Specifically in fashion market and also in other sectors visual merchandising was much neglected area in marketing research (Buttle, 1984) but, now it is integral part of retail. Though being much neglected earlier, visual merchandising is very integral part of academic research now, as it is linked with creativity and competitive advantage. The process of how the consumer creates a perception for particular stimuli of the store and converts it into actions is less studied in academic research (Turley and Milliman, 2000).

It is perceived that consumers are rational decision makers who are concerned only of their self interest (Schiffman and Kanuk, 2010). The consumer behavior study that happened through contemporary research found that wide range of factors influences consumers and consumption activities beyond purchase. Consumer decision making activities include need recognition, information search, evaluation of alternatives, building purchase intention, act of purchasing, consumption and finally disposal. The contemporary definitions of consumer behavior are:

“It is the study of the processes involved when individual or groups select, purchase, use or dispose of product, services, ideas or experiences to satisfy needs and desires.”

(Solomon, et al, 2006)

“the behavior that consumer displays in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.”

(Schiffman and Kanuk, 2010)

Consumer decision making process includes five steps: need recognition, information search, evaluation of alternative, purchase and post purchase behavior. Buying process initiates with need recognition which is internal feeling or it may be external motivation. When this need is identified consumers look around to get information. After fetching all the information required purchasing product, they evaluate this information to fulfill their need. Purchase decision happens
only after evaluating all the options thoroughly that consumers have. Finally consumers experiences consequences of the purchase which might be satisfaction or dissatisfaction. If consumer experiences satisfaction than the repeat purchase happens and gradually loyalty towards that thing develops. Stimulus or external influences in this process are social, marketing and situational factors.

**Figure 2: Stimulus - Reponse**

(Cziko, 2000)

Social factors include culture, subculture, social class and family that influences directly or indirectly on consumer behavior. Marketing mix that is product, price, place and promotion also influences externally to consumers. In terms of situational factors, physical surrounding, environment of shopping, time, money, etc influences externally to consumer during buying. In terms of internal factors all the psychological factors influences buying behavior of consumers.

When consumer browses a store there are lot of external and internal factors that influences their buying behavior. Due to these consumers feels like exploring the store which generates need recognition and tries to evaluate the alternatives to satisfy the urge to buying the product. If this process turns out positive than it will lead to purchase and after experiencing of the product bought, satisfaction or dissatisfaction related to the purchase develops as a part of post purchase behavior.
1.5 Sum Up

Retail industry in India is passing through fierce competition. Though, the industry is growing rapidly, there are many reforms happening. FDI in various formats are being permitted by Government of India. There are many international players entering the country, which is giving cut throat competition to the domestic players. In such a scenario it is very important for the domestic players and for that matter all the retailers to differentiate from their competitors. Product differentiation would be slightly difficult as all the retailers provide almost similar kind of merchandise. Hence, only way of differentiation is through experience like store atmosphere, comfort, attractive store interior and exterior display which is known as visual merchandising.