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Principle Of Supermarket Operation

July 1991



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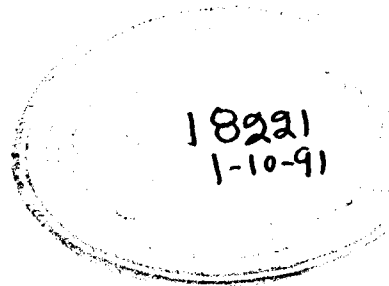
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Foreword

Recently we have observed that consumer cooperative movements in Asian countries, except Japan and Singapore, have been facing great difficulty due to poor management, strong competition from private sector and lack of education and training in this field. Therefore, the ICA ROAP and the Japanese Consumers' Cooperative Union (JCCU) have been trying very hard to improve the performance of consumer cooperatives in the region through education and training. In order to do so, we have to produce education and training materials for cooperative leaders, managers and staff and the general public. We have found that a document on "Principle of Supermarket Operation" published by the JCCU some time back, has been very useful. Therefore, with the permission of JCCU we have reproduced this document to achieve the above-mentioned objectives to some extent.

We do hope that this document will be useful for all concerned persons/organizations in promoting and developing consumer cooperatives within the region.

G.K. Sharma
Regional Director



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PART 1

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1. Stores

[1] Definition

The term "store" denotes the final stage of merchandising, where merchandise is delivered to the co-op members. From a business perspective, the "store" is where merchandising is concluded.

[2] Role of the Store

The fundamental role of the store is to serve as a place to deliver the merchandise to the co-op members. The store wins the confidence of the members through responsible conduct, reliable services, and merchandise of satisfactory value.

The goal of the store is to enable the maximum number of co-op members to come to the store as often as possible and purchase better merchandise in a pleasant shopping atmosphere.

[3] Essential Services

(1) The store must offer merchandise with a genuine value that is desired by the members. This will require:

Food – good flavour, reasonable price, safety

Apparel – elegance, comfort when wearing

Household goods – durability, ease of use, reasonable price

(2) The store must be able to achieve complete management of its merchandise.

Quality control – merchandise knowledge and merchandise control by product characteristic and production date

Freshness control – control of freshness and storage temperature

Quantity control – quantity control by item, stock control

(3) Merchandise at the store must be conveniently presented in such a way that it is easy for the co-op members to find and examine the products they want to buy.

(4) The workers at the store must attend the co-op members in a pleasant manner.

(5) The store must be clean and well-maintained. (Unclean, ill-maintained stores can be considered as not satisfying their social role as a merchandise distributor.)

2. Merchandise Presentation

[1] Objectives of Merchandise Presentation

- o Inform the members of the purpose of the consumer co-op activity and the specific nature of the store operation
- o Inform the members of the value of merchandise (by accurate assessment)

[2] Requirements in Merchandise Presentation

The merchandise must serve the co-op members in the hope to better and enrich their life.

(1) The store must offer merchandise items with special values not available at other stores. (The value is in the product, not in the store or other external objects.)

(2) The exact value of the merchandise must be shown to the members, without exaggerated presentation.

(3) The true value of the merchandise must be clearly shown to the members in an economical but attractive manner in a clean, well-maintained sales floor.

o CONVENIENCE

The sales floor must be comprehensibly arranged, enabling the members to shop at ease.

- (1) Easy to move anywhere in the floor.
- (2) Easy to see the merchandise on display.
- (3) Easy to touch the merchandise on display.
- (4) Easy to compare different merchandise.
 - * Observe if the members are inconvenienced.
 - * See how the members conduct themselves.
 - * Listen to comments by the members.

o EXCITEMENT

The sales floor and merchandise must be stimulating. The ultimate way of attracting members is to display good merchandise.

- (1) Both the sales floor and the merchandise must look fresh.

- (2) Seasonal impressions must be renewed on a weekly basis for 52 weeks a year.
- (3) Items that the store particularly wants to sell must be clearly recognized by the members.
- (4) The store must be clean and have good colour control.
- (5) Merchandise display must be impressive and captivating.

o CLEANLINESS

The sales floor must be clean and neatly arranged.

- (1) The floor must be clean and without stains, litter, dirt, empty cases, dust or spilled water. Particularly the corners between the floor and wall must be kept clean.
- (2) The merchandise must not have dust accumulated.
- (3) The display equipment must be kept clean and not show stains, dust, pieces of adhesive tape, and rust. Sheet glass used in showcases must be kept clean. Particularly, the connection areas between display equipments must be clean.
- (4) The walls and pillars must be kept free of point-of-purchase advertisement materials, posters, decorative articles, merchandise, adhesive tape and stains.
- (5) The indication must be free of point-of-purchase advertisement materials, soiled showcards and torn paper.

o COST CONTROL

The sales floor must be attractively maintained without the expenditure of large costs.

- (1) Ways to keep the cost of sales floor maintenance down
 - a) Divide sales floor maintenance jobs by degree of difficulty and assign regular employees to difficult jobs and part-time workers to less difficult jobs.
 - b) Try to simplify apparently difficult jobs by changing display equipment and display methods.

3. Means and Aims of Merchandise Presentation

Means	Aims
1) Main aisle	To guide a maximum number of members to a maximum number of sales floor sections, particularly to the main sections.
2) Floor sectioning	To make the kinds of merchandise placed in various floor sections easily comprehensible to members.
3) Floor space allocation	To enable members to shop smoothly and efficiently.
4) Sub-aisles	To allow members to walk freely within each floor section.
5) Regular display	To livelily display merchandise at a lower cost to enable members to visually examine, touch and select their desired items.
6) Variation display	To stimulate members through fresh, diverse displays.
7) Indication	To provide explanations to members with questions about merchandise.

PART 2

1. Floor Sectioning and Composition	5
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1. Floor Sectioning and Composition

[1] Required Conditions for Aisles

(1) Floor plan

It is important that members are induced to walk around the sales floor and examine the value of various merchandise.

- 1) Aisle planning: The layout plan for aisles in the sales floor must be determined.
- 2) Floor sectioning: The sales floor must be divided into display sections in such a way that the message of the store is most clearly put across to the members and that it is made easier for the members to find and compare merchandise.
- 3) Floor space allocation: The location and sequence of floor sections must be determined. The ease with which members can walk around and select merchandise in the store depends on how effectively the floor space is arranged.

(2) Aims in aisle planning

- 1) To encourage the members to stay on the sales floor for as long as possible.
- 2) To encourage the members to walk around as much as possible while on the sales floor.

	Walking pattern	In-store stay time & walking distance	Purchased amount
1	Main aisle, then sub-aisles	Maximum	Maximum
2	Main aisle only	Long	Large
3	Sub-aisles only	Short	Small

It would not be effective to "force" members who do not want to walk around the sales floor. Rather, the working principle is to create a pleasant store atmosphere in which members will feel happy to walk around, so that as a natural consequence they remain longer in the store and make more purchases.

(3) Main aisles

- Concept of main aisle: It is not exactly correct to consider the main aisle as the passage where the largest flow of members are found, but rather the main aisle is the passage to the main sales floor sections, which as a consequence attract the largest flow of members.
- Necessary conditions for the main aisle:
 - 1) It passes in front of the main sales floor sections. That is, the main floor sections are found on both sides or one side of the main aisle.
 - 2) The start point of the main aisle is the entrance which has the main sales floor sections nearby.
 - 3) The main aisle leads to the far side of the floor.
 - 4) The largest number of members walk along the main aisle.
 - 5) The main aisle is easy to walk.
 - 6) It is also easy to see from afar.
- Psychological aspects
 - 1) Members should be drawn by the attractive main merchandise on both (or one) sides of the main aisle.
 - 2) These main merchandise are impressive and are easy for members in the main aisle to look at.
 - 3) The opposite end of the main aisle is attractively arranged.

(4) Conditions for easy walking

- 1) The aisle width is appropriate.
- 2) The aisles are straight and have few turns.
- 3) All turns are right angles.
- 4) The aisles are clear of obstacles, such as empty cases and protruding merchandise.

[2] Principles of Sales Floor Composition

(1) First, merchandise should be divided into main merchandise and regular merchandise.

- * Main merchandise is the merchandise that members come to the store to purchase.
- * Regular merchandise is the product that are purchased when the members come to the store to buy main merchandise.

< Principles of main and regular merchandise allocation >

- 1) The main merchandise sales floor must begin from the store entrance.
- 2) Then the main merchandise sales floor must extend along the main aisle, if possible to the far side of the floor.
- 3) The main merchandise must be placed at the height of the eye line.
- 4) Regular merchandise sales areas should be placed along sub-aisles.
- 5) These sales areas must be visible by a maximum number of shoppers.
- 6) Regular merchandise is displayed at various heights lower than the height of main merchandise on display.

(2) Second, merchandise should be divided into frequently and less frequently purchased items. For example, vegetables and fruit are frequently purchased by the same member, followed by meat & fish, processed foods & confections, household goods, and apparel in order of purchasing frequency.

- 1) Frequently purchased items must be placed in the front area of sales floor and close to the entrance.
- 2) These items should be placed near aisles.
- 3) Less frequently purchased items are placed in other areas but must be clearly visible by members and, if possible, are displayed in a visually enjoyable way.
- 4) Less frequently purchased items must be effectively combined with high-priced merchandise.

(3) Third, merchandise should be divided into products involving well-planned purchasing and those more likely to elicit impulse purchases.

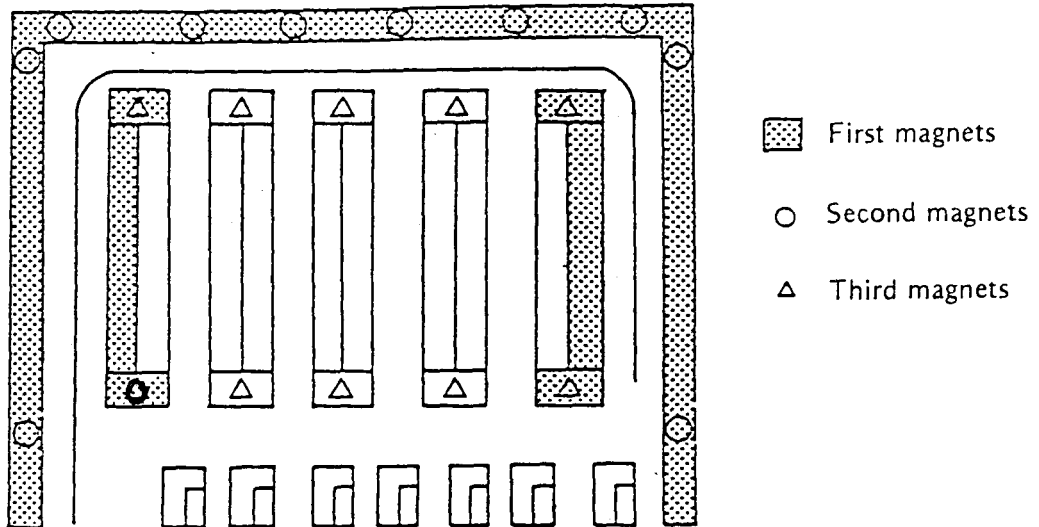
* Merchandise grouping

PLANNED PURCHASING	IMPULSE PURCHASING
Main merchandise	Regular merchandise
More expensive (volume price)	Less expensive
Large-sized, bulky	Small-sized
Purchased when the old one goes out of use or runs out.	Purchased when a good impression is received.
Less seasonable	Seasonable, fresh
Less frequently purchased	More frequently purchased
Sold by store attendants	Sold through self-service
Purchased by specific types of clients	Purchased by women and families

* Principles of allocations

PLANNED PURCHASING	IMPULSE PURCHASING
Merchandise placed on far side of the floor	Merchandise placed on near side of the floor
Placed near exit	Placed near entrance
Placed along walls	Placed along aisles
Placed on high shelves	Placed on low shelves
Placed on lower shelves, if mixed with other merchandise	Placed on higher shelves, if mixed with other merchandise

2. Strategic Allocation of Magnets



* First Magnets (displayed along main aisle)

The most attractive merchandise serves as the first magnets.

- (1) Volume merchandise
- (2) Frequently consumed merchandise
- (3) Main merchandise
- (4) Easily purchasable products
- (5) Highly seasonable products

* Second Magnets (displayed at ends of main aisle)

These are merchandise displayed to lure members all the way along the aisle.

- (1) High-tech and other advanced merchandise
- (2) Glamorous merchandise
- (3) Seasonable merchandise
- (4) Store-recommended merchandise
- (5) Easily purchasable products

* **Third Magnets (displayed at ends of shelf lines)**

This group of merchandise is used to give a shopping stimulus to members and is constantly changed to provide a fresh impact.

- (1) Special price merchandise
- (2) Store brand merchandise
- (3) Seasonable products
- (4) Products with an impressive volume or appearance

* **Fourth Magnets (gondola slots)**

These are merchandise recommended to members by the store.

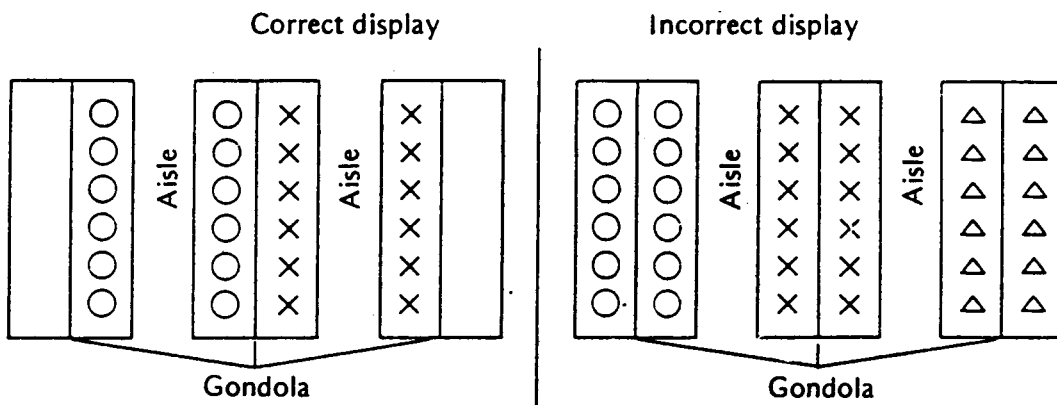
- (1) Merchandise recommended with a showcard
- (2) Leader items with a spotter
- (3) Merchandise displayed in a large volume

3. Sales Floor Continuity

Floor continuity is necessary to help members shop with ease. The best continuity is achieved by linking the floor sections in the order in which members will shop.

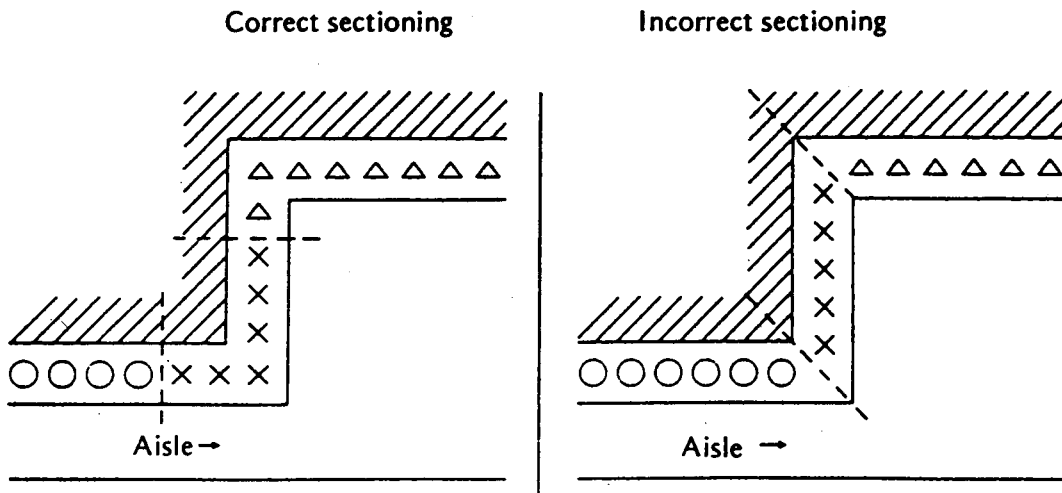
[1] Related Sections on Both Sides of An Aisle

Floor sections displaying similar items should be arranged on both sides of an aisle, as shown in the left illustration. As shown in the right illustration, continuity cannot be achieved by placing related items, back to back, along two different aisles.



[2] Floor Sectioning Before the Corner

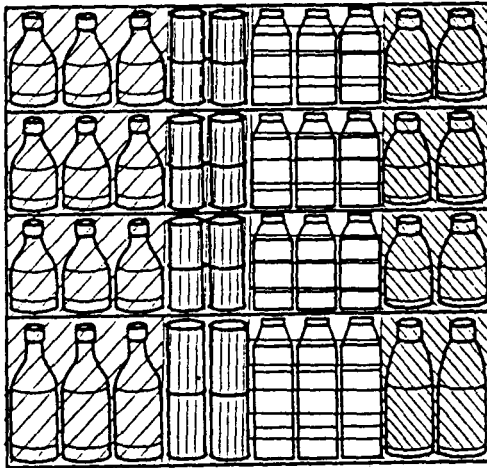
Continuity at the display corner can be ensured by sectioning the sales floor before the corner, as shown in the left illustration. As in the case of the right illustration, continuity is weakened if the floor is sectioned in the middle of the corner.



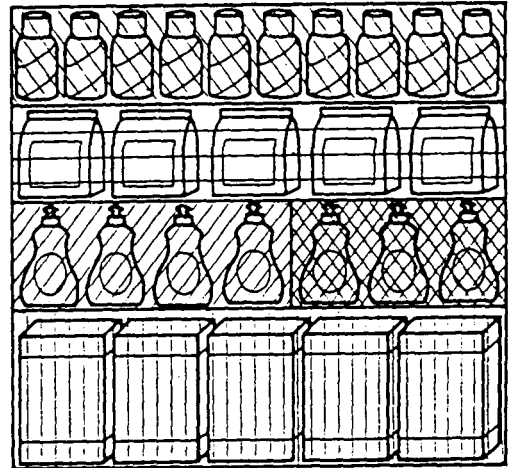
[3] Vertical Display and Horizontal Continuity

Items of the same kind must be displayed in a vertical arrangement, as shown in the left illustration. In other words, kind-to-kind continuity must be achieved horizontally. This is because it is much easier for people to see sideways than up-and-down.

Vertical (correct) display



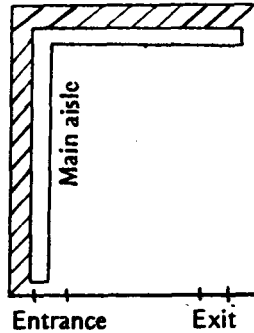
Horizontal (incorrect) display



4. Examples of Floor Layout

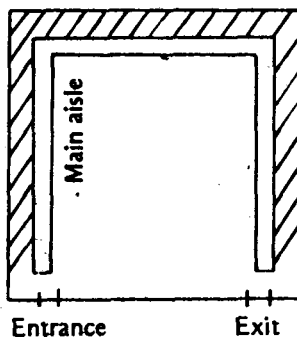
* Early Type

The store has an inverted-L-shaped main aisle along the main perishables sections marked with slant lines. The typical store is longer in depth than in width and has a total space of less than 500m².



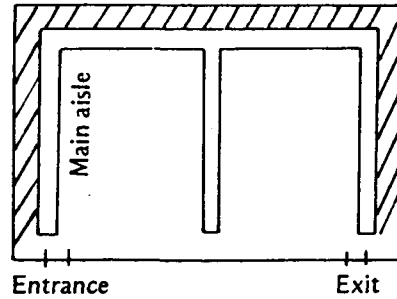
* Early 1970s Type

With an inverted-U-shaped main aisle along the main perishables sections, this type of store can handle a greater percentage of perishables and other daily delivery products. Typically, the floor is square and has a total space of around 660m².



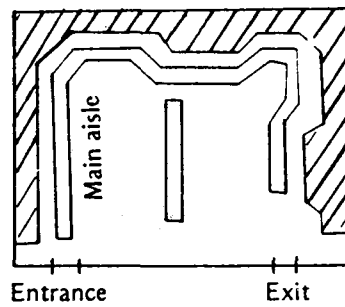
*** 1970s–80s Type**

With an M-shaped main aisle running along the main perishables section, a greater amount of perishables, daily delivery products, frozen foods, dairy products and soft drinks can be displayed. Stores of this type tend to have a longer width than a depth and a floor space of 1,000m² or more.



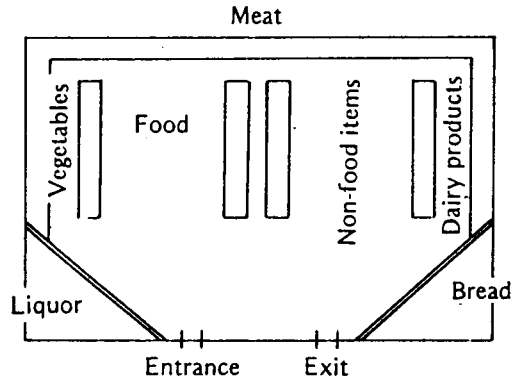
*** Wall Utilization Type (1980s)**

Shoppers are guided to move in a circular course along a main aisle having both straight and curved lines. Suitable for a floor space of 660m² and over.



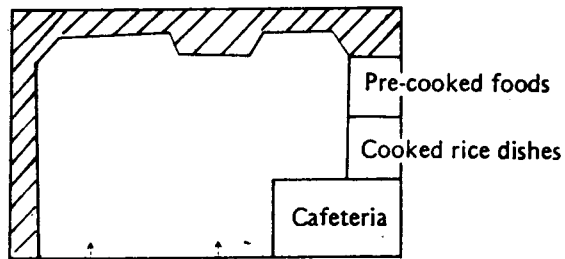
*** One-Stop Shopping Type (1980s)**

This is common in the United States and is suitable for the display of an increased amount of daily-use sundry goods and for a floor space of 2,600m² and over.



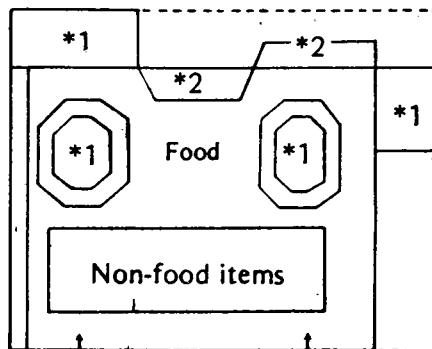
*** Wall and Tenant Type (1980s)**

Tenant shops are installed to fully utilize wall space. Suitable for 1,000m² and over.



*** Tenant and In-store Shop Type (1980s)**

Tenant shops are installed to utilize wall space, and the floor layout is enhanced by in-store shops. Sections for daily-use sundry goods are placed near the cashier area. Suitable for square floors of 1,000 to 1,300m² or over.



*1: counter sales
*2: self-service

PART 3

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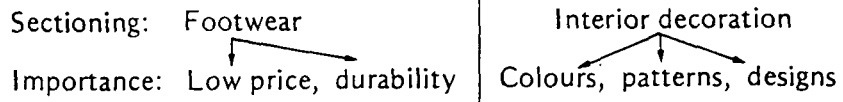
1. Basics of Floor Sectioning

The floor sectioning involves a grouping and allocation of merchandise in specific floor sections according to certain shared characteristics and properties.

[1] Aims of Floor Sectioning

(1) Floor sectioning shows the underlying aims of merchandise assortment. (What importance does the store place in each product?)

Example: Slippers



(2) Floor sectioning assists members in finding, selecting, and purchasing the merchandise they want to buy. The aim (1) helps achieve the aim (2).

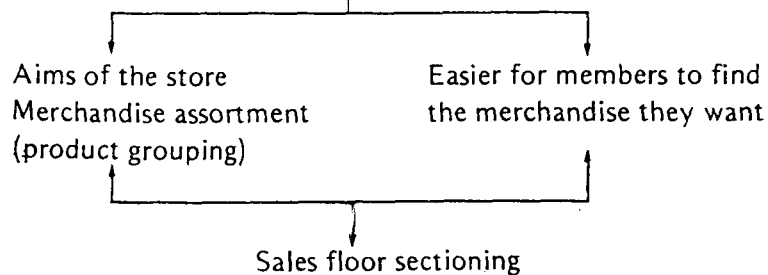
[2] Store Aims Matching Lifestyles and Shopping Behaviour

The store must set aims matching the lifestyles and shopping behaviour of members. Lifestyles and shopping behaviour do not always correspond, however.

- * The aims of merchandise assortment are determined on the basis of the combination of lifestyles and shopping behaviour.
- * Merchandise assortment, however, is not determined by the ways in which the merchandise is used at the homes of members. The merchandise presentation in the store has its own criterion.

[3] Basics in Floor Sectioning – Concept of Coordination

- * Lifestyles of members (purpose)
- * Ways of utilising the merchandise (applications)
- * Shopping behaviour for the merchandise (motivation)



[4] Determining Factors for Sales Floor Sectioning

(1) Purpose of using the merchandise

What is the most important purpose of use of the merchandise that members hope to buy? This question will give such merchandise groups as kitchen goods, bathroom goods, interior decorations and sporting goods.

(2) Types of persons who will use the merchandise

Who will use the merchandise that members hope to buy? Men, women, old, young, large body size, small, etc.? This will give rise to such merchandise groups as men's cosmetics, baby goods, children's wear and extra large size apparel.

(3) Characteristics of the merchandise

This will lead to such merchandise groups based on price (e.g., deluxe and economical products), design style, material, brand and other criteria.

Nevertheless, floor sectioning is not permanent and must be changed constantly in line with the changing lifestyles and shopping behaviour of members.

[5] Order of Sales Floor Sectioning

(1) Merchandise assortment

Example of frozen food grouping:

Case	Large group	Medium group	Small group
1	Frozen foods	Brand A	Fried fish, hamburgers, etc.
		Brand B	"
		Brand C	"
2	Frozen foods	Cooking materials	Frozen vegetables, fruit, fish
		Pre-cooked	Fried fish, hamburgers, etc.
		Desserts, snacks	Cakes, pizzas, cream puffs, etc.

(2) Priority in merchandise selection by members

It would be helpful to know whether the members place greater importance on brands when shopping as in Case 1 or on use as in Case 2. If the order of sales floor sectioning is in line with the priorities placed by members, then the sales floor sectioning can be said to enable members to select and purchase merchandise more easily.

(3) Impression of merchandise volume

If members can easily recognise merchandise by the above-mentioned large and medium grouping and receive an impression of a large diversity of kinds and items of merchandise and of a large volume on display, the members are likely to be attracted and come closer to the sales floor section.

*** Reasons for the necessity of merchandise volume**

- 1) Assertion of the store's merchandise assortment
- 2) Assertion of the merchandise plentifulness
- 3) Easier location of merchandise for members

*** Methods of generating impressions of volume**

- 1) Section the sales floor in accordance with merchandising priorities.
- 2) Avoid grouping that will cause some sections to have only a scant volume of merchandise.
- 3) Ignore some differences in the shopping frequency factor when planning the large grouping of merchandise.

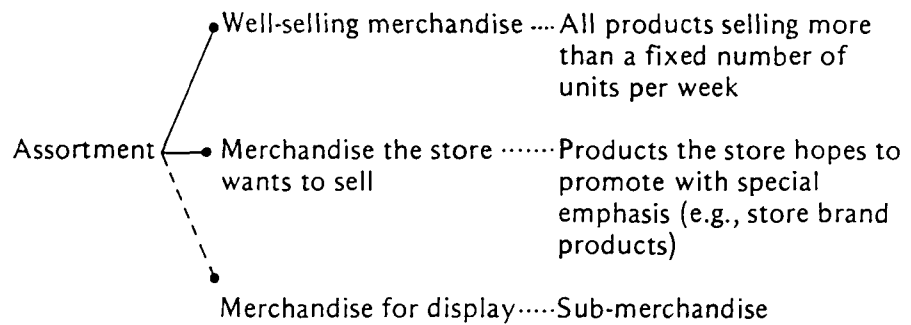
PART 4

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1. Principles of Merchandise Mix

[1] Concept of Merchandise Mix

- * Merchandise mix is a combination of merchandise items and their volume.
- * The basic principle is to display mainly well-selling items that attract the interest of members.



[2] Aims of Merchandise Mix

(1) The true meaning of merchandise "plentifulness" is not the display of a large number of kinds and items.

- * It is necessary that members can choose from a plentiful merchandise selection.
- * But this does not mean that every item is on display. "Plentifulness" should mean that "all merchandise required by members is made available."

(2) Changes in the meaning of “plentifulness” in Japan

	Meaning	Highlight
1955–59	Large no. of product kinds	Rise of chain stores
1960–64	Large no. of items in each kind	”
1965–69	Large no. of item in same price line	First shopping boom
1970–74	Fewer no. of different price lines	Second shopping boom
1975–79	Large no. of needs goods items *	Market maturity

* Needs goods: *Those which must be developed by the retailer to actualise customers’ potential buying power.*

(3) Depth in merchandise mix

In a “deep” merchandise mix, the display volume of specific items in each kind is made particularly large while the display volume of most other items is kept particularly small.

(4) Economy is achieved by setting a price matching the merchandise quality or a price that is easy for most shoppers to afford.

(5) Reliability is achieved by the merchandise that is effective to its function. Those that are selling well only through advertisements cannot be considered as reliable.

(6) Convenience is attained by allowing anybody to shop easily anytime.

(7) The freshness of merchandise is maintained by controlling merchandise within its stock age.

* The stock age ends when the merchandise becomes too old to sell.

* Open date is the time limit for the complete taste of food.

* Final date is the time limit for product safety assurance.

[3] Principles of Merchandise Mix in Supermarkets

(1) Non-durable merchandise

These are items that are consumed or worn out in use.

(2) Frequent-use merchandise

These are necessities that consumers regularly require.

One group of these products are always required and less susceptible to consumer trends, whereas another group may become unnecessary because of changing consumer trends.

(3) Frequent-purchase merchandise

For these items, consumers often visit stores.

As a result of concentrating on these types of merchandise, supermarkets register a large percentage of their total sales from perishable foods.

* These items must be conveniently available.

Trading area: within a 500 to 800 meter radius from the store.

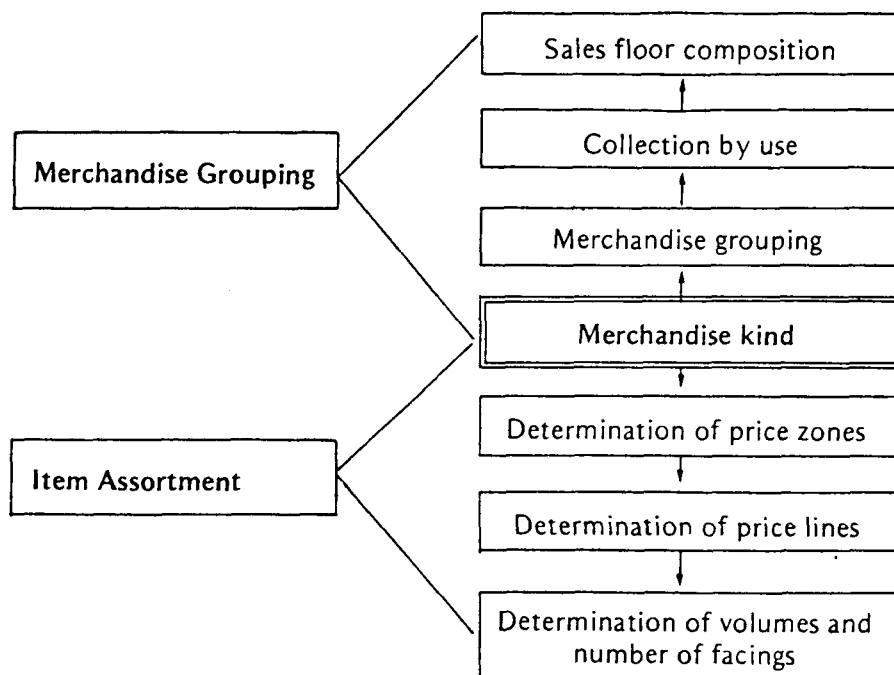
Merchandise mix: centered around daily-used products

* Clientele

- 1) Housewives
- 2) Customers who shop alone
- 3) Customers who come on foot or by bicycle
- 4) Customers who shop on weekdays

[4] Merchandise Grouping

(1) Merchandise mix based on kind of merchandise

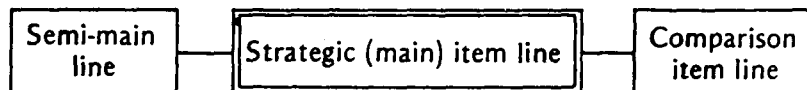


(2) Basics in merchandise grouping

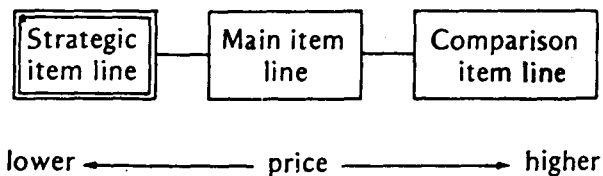
Grouping	Criteria
Kind	Group with same purpose and method of use. * Mutually comparable, replaceable * Belonging to same price zone
Sub-category	Grouped according to members' common idea of product classification (e.g., grouping of food items by type of dish)
Middle category	Aggregation of sub-categories according to merchandise use * Sharing of similar shopping motivations * Specific merchandise should be grouped as in specialty stores
Large category	Aggregation of middle categories and influential in creation of attractive shopping floor * Serving as important store layout units

(3) Makeup of price lines

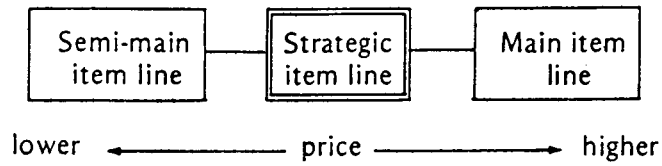
1) When strategic and main items are identical:



2) When wishing to develop strategic items into main items by emphasising lower prices:

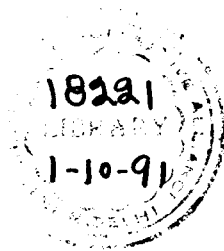


3) When wishing to develop strategic items into main items by emphasising higher qualities:



Notes:

- *"Strategic items": those merchandise which the store hopes will be bought by a greater number of members.*
- *"Main items": those items already bought by a large number of members.*
- *"Semi-main items": those products lower in comparison with strategic and main items in terms of quality and function, but boasting lower prices.*
- *"Comparison item": those high in quality and price.*



2. Characteristics of Best-Selling and Least-Selling Items

[1] Trends for Best-Selling Items

It is only possible to detect and predict the trend for best-selling items.

(1) Comparative studies may be made on sales trends in the sales floors of a chain store and a department store, and the studies must be carried out on a continuous basis.

(2) The upper price limit and the price point.

(3) Important factors in best-selling items are taste and freshness for food, coordinate selection in apparel, and convenience for sundry goods.

(4) Colours are often a crucial determinant factor for best-selling items, especially for apparel.

(5) Another key factor is the special sales of seasonable items.

[2] Trends for Least-Selling Items

Limits must be set to remove least-selling items.

(1) Use of in-house sales statistics

(2) Consideration of stock age

(3) Defective merchandise

(4) High-priced and least-selling items

(5) Seasonable items that remain unsold in the mid-season should be considered as least-selling products.

* *Sales statistics are extremely important for the determination of least-selling items, because the inventory account treats the best-selling and least-selling items in the same, indistinguishable way.*

PART 5

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1. Basic Conditions for Display

[1] Determinant Factors for the Effectiveness of Display

(1) Items

The most important factor is to select the items required by members.

(2) Display volume and number of facings

These factors are closely related to display items. Display volume is also linked with the possibility of merchandise going out of stock.

(3) There are different faces in one product.

- o Faces to serve as a sales point
- o Those to allow a look into the content
- o Those to show the most attractive appearance
- o Those to give an impression of a larger size

In all cases, a greater effectiveness is achieved when the faces are displayed in combination with each other.

(4) Display position

Display height and the combination with adjacent display items are important considerations in deciding the display position.

(5) Display shapes

[2] Basics in Merchandise Display (positions and shapes)

(1) Easy-to-see display is from the height to the hips and closer to the chest.

(2) Easy-to-touch display is at the height to the hips and closer to the aisle.

(3) Easy-to-select display enables the member to see all available choices at a glance.

(4) Easy-to-compare display enables the member to easily compare the prices, designs and other aspects of similar products.

< Display factors >

(1) Easy-to-see: illumination, height, display shape, removal of obstacles, display equipment

(2) Easy-to-select: display grouping, associated grouping, width of display line (sizes, colours, design patterns, etc. of display items)

(3) Easy-to-compare: price, content, size, method of use

Co-op members fully take into account the price, quality, size, method of use, method of cooking, etc. of merchandise in deciding purchases.

2. Effective Display Methods

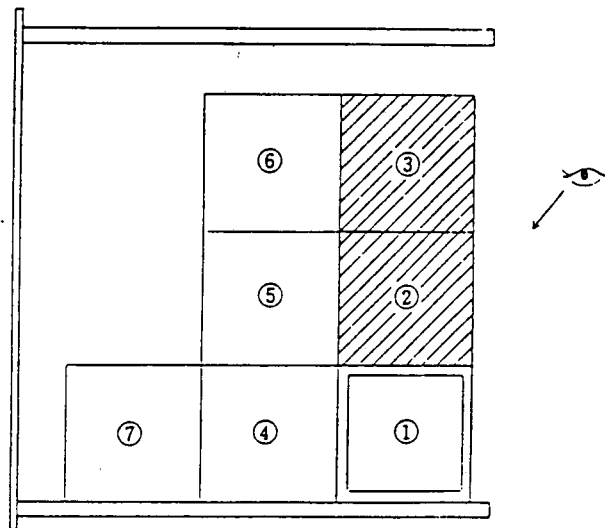
[1] Forward Display

Forward display is applied to achieve the following display effects:

- (1) Ease of seeing the merchandise
- (2) Ease of handling the merchandise
- (3) Ease of selecting the merchandise
- (4) Ease of comparing the merchandise
- (5) Increase of display impressiveness
- (6) Heightened impression of plentifulness

Fig. Display priority

First, display in the order of (1), (4), (5), (6) and (7).
Then, display (2) and (3).



The following efforts must be made to keep the forward display in good order:

- (1) To develop a habit of supplying additional products as soon as the members take away the products from the forward display pile.
- (2) To adopt the FIFO (first-in first-out) method.
- (3) Review ways to trim the cost of maintaining the display (a minimum cost is necessary to achieve an effective display).

[2] Hook Display

Hook display method is applied to enhance the forward display effects and also to achieve the following:

- * Reduction of working costs
- * Facilitation of merchandise management
- * Reduction of stock (improvement of stockturn rate)

The major advantages of the hook display method are:

- * Correct presentation of the merchandise value and attractiveness
- * Keeping the display equipment behind and fully showing the merchandise value
- * Particularly effective display of small-size articles, hard-to-stand items and low-stockturn merchandise

[3] Display Concept by Gondola (showcase)

A merchandise concept must be formulated for each gondola (90 cm or 120 cm wide). The combination of these gondolas (concepts) is a crucial factor in determining the effectiveness of display. Examples of combinations:

- * Life stages + lifestyles
- * Purposes + applications + merchandise kinds

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