

WHAT EXACTLY IS MERCHANDISING?

“Merchandising is the marketing of the right merchandise, at the right time, in the right place, in the right quantity and at the right price.” Right.

Promoting and displaying items in the most appealing way to encourage sales is a skill that takes time to develop like any other. That's why retailers employ dedicated merchandisers to professionally position and display their products.

Most cellar door operators are not trained in the art of merchandising, so it pays to get professional help in the early stages of designing your cellar door if you intend to incorporate merchandise in the product mix. Even if merchandise is going to be a relatively small part of your business, there are still some fundamental elements to consider.

Getting it “Right”

The Right Merchandise

This means that goods are appropriate for your business and your existing and potential customers. For example, a high profile internationally recognised winery might stock a large range of branded wine accessories and clothing, knowing that international visitors, in particular, will be inclined to take non-wine products home with them as mementos of their trip. A small winery in an area known for its local art culture might stock a range of arts and crafts made by local artisans that don't have retail outlets, knowing that their visitors search for unusual hard-to-find items.

The Right Time

This takes into account seasonal, promotional and normal demand cycles. Prime selling times for gifts occur in the lead up to Mothers Day, Fathers Day and Christmas, so stocking products that suit the market at these times makes sense. Seasonal promotions can be reflected through lifestyle products – picnic ware for the summer months; pottery products for winter. Attend trade fairs featuring giftware and lifestyle products to get a feel for what consumers are looking for and identify upcoming trends.

The Right Place

This refers to your location and the location of the product in the cellar door. High visitor numbers are essential if you intend to incorporate a significant merchandise range, so a prominent location is essential. Within Cellar Door certain areas can be regarded as “hot” and others as “cold”. You need to identify these areas and position products accordingly. For example, high turnover impulse purchases (such as small tasting guides) need to be highly visible to customers (placed in “hot” areas near cash register, tasting bar, etc). Planned purchases are those that visitors expect to find in a cellar door and will seek out, often before they even arrive, and can be placed in less visible areas.

The Right Quantity

This means having enough stock to cover normal and peak period demands. Nothing looks worse than a sparse product display with tired looking items covered in dust. Go for an “abundant” look so that people feel compelled to pick things up and make a purchase. Ensure you have sufficient stocks of popular products on hand at all times and consider lead times for delivery in the run up to peak periods. Clothing is a particularly sensitive area: if someone has made a decision to buy a shirt and you don't have their size, they'll be disappointed (and avoid the tendency of saying they look great in the extra large when they clearly don't).

The Right Price

This relates to the selling price of the goods, which must also reflect the market. The price takes into consideration value for money, quality and competition pricing policy. For example, if all the cellar doors in your area sell waiters friends for \$10, you will need to closely reflect that price too – unless you can somehow demonstrate that your \$30 waiters friend is exceptional quality and therefore value for money at the higher price.

Proper Presentation Pays

Correct **placement** is the first step in designing your merchandising plan. Firstly determine your “hot”, “warm” and “cold” spots in the cellar door by gauging traffic flow (where people walk most and least). Entry and payment areas would be considered “hot” spots.

“Warm” spots are secondary traffic areas, the places people go to look at things or linger for a while (near the tasting bar or relaxation area).

“Cold” spots occur outside these two areas and are usually the far corners with low customer traffic.

Once you've identified your areas for product placement, you need to determine the **prime retail positions** within each area. These are the most visible areas within a display and are situated between hip and eye level. Supermarket research reveals that the most profitable sales occur when products are displayed at just below eye level.

Most of your merchandise can be broken down into components, which can then be laid out accordingly. Depending on your range, you might have some or all of the following:

- **Bestsellers** – can be ongoing or seasonal products; usually mid-range price-point offering average profit returns; if you analyse sales you'll find that around 80% of sales come from 20% of your products – these are your best sellers.
- **High-Margin Lines** – often exclusive or branded and add considerably to your bottom line; can be promoted in tandem with bestsellers; “hot” areas work best; can form part of interior displays.
- **Basic Lines** – items customers expect to find in a cellar door; have regular and steady sales patterns; should never be out of stock.
- **Accessory Lines** – products that complement or relate to other products. In a supermarket example you might place dips and biscuits together. In cellar door you might put waiters friends, wine stoppers and wine packs together.
- **Impulse Buys** – generally purchased without forethought; usually low dollar value with rapid turnover; often placed near the cash register (just think confectionary and women's magazines in the checkouts of supermarkets).
- **Specialty Lines** – often purchases of these items are considered before the customer visits; can be expensive or complex; require time to think about the product and its attributes; can be placed in the “cold” spots to avoid the pressure and rush of high traffic areas. In a cellar door these might include exclusive artwork, hospitality products or books.
- **Seasonal Lines** – positioned in prime areas as the season draws closer; important that stock levels are maintained for the season but sell out as the season closes. Christmas Hampers are a good cellar door example.
- **Assistance Lines** – these are products that customers need help to purchase; usually smaller expensive lines that pose a security risk; need to be located close to sales counter or tasting area to enable staff to monitor them closely and provide information; may be contained in cabinets. Examples include glassware and decanters.
- **Problem Stock** – simply stock that sells poorly. It could be outdated, purchased in excess, wrong for the target market, soiled or faded, badly positioned, incorrectly priced or unsupported by staff. Effective rotation, repositioning, changing the presentation or promoting with other items can help clear it. So can a “clearance basket”, but be aware of what message you are sending generally and how this might affect your overall brand image. Sometimes it's just better to write it off and give it away to staff or customers.

Your **fixtures and fittings** need to be congruent with brand image, safe, secure and flexible for a variety of products. Portable trolleys and other movable fixtures are great for seasonal promotions and promoting new products. Shelving is critical and impacts directly on profitability. The human eye will only focus on one point at a time, so make sure best sellers and high margin products are at the most visible level. And because our eyes travel horizontally rather than vertically, make sure you display merchandise across shelves. Eye level shelves should feature different products beside each other, in groups of two. Different sizes of the same product can be placed above and below.

Remember too that displays that look full are far more attractive than empty ones. Always position products to the front of the shelf to maintain the impression of fullness and ensure products are always visible to customers. Customers must see the

goods, the price and the quality in the shortest possible time. And if people can touch it and handle it, there's a good chance they'll also buy it because once it's in their hands, it's "theirs".

A good visual display is a form of indirect selling. Done really well, it can actually perform the entire selling process, especially if effective ticketing supports the display.

Signage and ticketing are critical elements of product promotion, along with the use of colour. Signs and tickets have two purposes: provide information about the product and create atmosphere and desire. Any sign or ticket should be professionally produced: handwritten signs and tickets should be used cautiously because they can seriously detract from your brand image. By law, signs must also be a true representation of the product and cannot be misleading.

Generally tickets should indicate the name of the product, a description, a short benefits statement and the price. Signs can be a bit different, with a lead line that might indicate a special offer, a headline that identifies the product, a descriptive line that points out features or benefits that may not be obvious and the price. There could also be a base line that indicates the time limitations of the offer, such as "while stocks last."

Colour can evoke specific emotions in people and creates atmosphere. Colours can contrast or complement each other, while some colours provoke definite responses (like red, which when used on tickets and signs relates to discounts, or in restaurants as a tablecloth promotes appetite). Below is a list of **Colour Associations**:

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| <p>Red</p> <ul style="list-style-type: none"> • Highly visible • Good recognition value • Implies strength, urgency and power | <p>Blue</p> <ul style="list-style-type: none"> • Implies open space • Quiet, peaceful effect • Cool colour, good for backgrounds |
| <p>Yellow</p> <ul style="list-style-type: none"> • Cheerful, sunshine, stimulating • Best recognition value when teamed with black • Good to use in dim lighting area | <p>Green</p> <ul style="list-style-type: none"> • Calm, fresh, natural • Relaxing to the eye • Makes confined areas look more spacious |
| <p>Orange</p> <ul style="list-style-type: none"> • Ripeness, warmth, vitality • Good recognition value • Best used in small quantities | <p>White</p> <ul style="list-style-type: none"> • Purity, innocence, space • Good for backgrounds |
| <p>Purple</p> <ul style="list-style-type: none"> • Deep, rich, mysterious • Can be dull in large quantities • Best used as a contrast | <p>Black</p> <ul style="list-style-type: none"> • Heaviness, drama, death, sophistication • Use sparingly |
| <p>Brown</p> <ul style="list-style-type: none"> • Dependability, solidity, nature • Use sparingly | |

Get Professional Advice & Training

Information for this section has been obtained from the merchandising workbook "Improving Your Profit" tailored for wineries. Workshops are available nationally through Tony Moore at City Corporate Consultants (see Contributors Section for contact details).