

Management Report

The key to success –

a study on the importance of window dressing in the retail trade



Executive Summary

The significance of the shop window

The study shows that shop windows continue to gain in significance for the retail trade as a source of information and inspiration for customers. At around € 80 million, expenditure on window dressing represents about two percent of the marketing costs of the relevant segments of the German retail trade. A big impact for little outlay is how the retailers polled see the subject of window dressing whereby an emotional sales approach represents a good opportunity for the bricks and mortar business.

Differentiation as a competitive factor

The aims of specialist retailers, chain stores and department stores differ greatly when it comes to shop windows as a channel of communication. However, setting their business apart from their competitors is the key aspect for all respondents. Simple product presentations are a thing of the past. Overall, there is a trend to more elaborate presentations at the point of sale.

Shop-window functions

To stop passers-by and attract attention, to increase the level of awareness and cultivate the image, to spotlight products and trigger impulse purchases – these are the main functions of a shop window from the point of view of the companies polled in this Management Report. All are important goals for which visual-marketing experts are needed.

A task for top managers

In organisational terms, the visual marketing, which covers window dressing, is commonly seen as an aspect of marketing. It thus plays an important role in the corporate marketing mix and, in the case of department and chain stores, frequently falls within the remit of head office. In the case of smaller retailers, visual merchandising and shop-window dressing is generally the responsibility of the proprietor or store manager.

The study

What role does the shop window play in the marketing mix of department stores, chain stores and retailers today and tomorrow? To answer these and other questions, Messe Frankfurt commissioned EHI Retail Institute to conduct a survey of selected businesses. The results of the study form the basis for this Management Report entitled 'Shop windows as a factor for success – Study on the significance of window dressing in the retail trade'. Within the framework of the study, existing sets of interviews and studies by EHI on shop fitting and visual merchandising were supplemented by expert interviews with representatives from the Living & Giving business. To give an impression from three different perspectives, representatives of the following types of business were polled in May / June 2013:

| | Department stores | Chain stores | Smaller retailers |
|-----------------------------------|---|--|-------------------------------|
| Interviewees: | Planning and furnishing Visual marketing managers Window-dressing specialists | Shop-fitting and furnishing managers Visual-merchandising manager | Proprietors Store managers |
| Turnover category: | € 65 – 3,000 million | € 10 – 210 million | < € 2.5 million |
| Number of outlets (total): | Approx. 230 | Approx. 500 | up to 4 locations |

Source: figures based on the EHI Study on the bricks-and-mortar retail trade in Germany, 2012+

The shop window – A tool with leverage

Visual merchandising is communication

Visual merchandising is an important tool in the communication mix of a retail company. The term refers to the optimisation of product presentations and the sales environment within the framework of an efficient visual sales-promotion strategy. At the point of sale, this includes visual communication of the corporate identity, the presentation of products and brands in a way designed to promote sales and the company image, as well as target-group-oriented, customer-oriented and sales-oriented product presentations and decorations. The core task of visual merchandising is to communicate with the customer on a visual plane. Therefore, the shop window is a key aspect of visual merchandising.

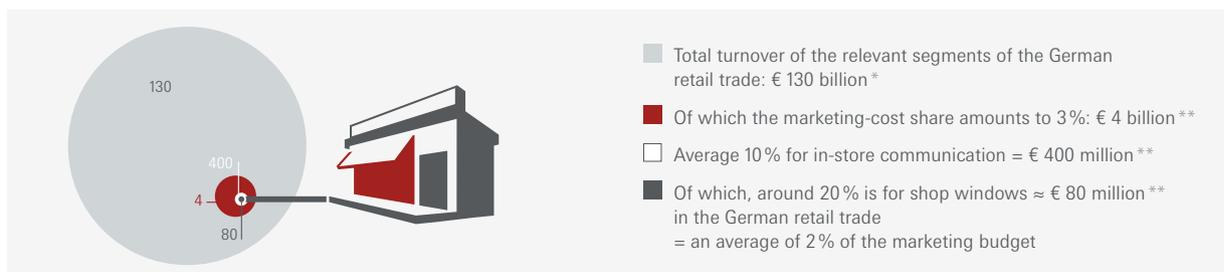
“Information and inspiration for the customer”

Despite the fact that the budgets for visual merchandising and window dressing are “one of the best-kept secrets” according to the companies polled, the study shows the high degree of importance attached to the subject by the retail trade. On the basis of the turnover of the relevant segments of the German retail trade* – around € 130 billion according to GfK GeoMarketing – a budget of approx. € 4 billion can be assumed given a marketing-cost share of around three percent. Of this, in-store communication accounts for ten percent or € 400 million on average. Taking the German retail trade as a whole, around 20 percent of the in-store budget is invested in shop windows, which the EHI Retail Institutes estimates as being worth some € 80 million.

While department stores, etc. tend to invest more than two percent of their marketing budget in window dressing, the figure is slightly less in the case of chain stores, which focus more on in-store presentations. As a rule, smaller retailers have no fixed budget for window dressing. Polls for the EHI Shop Fitting Monitor 2014+ revealed that service providers and suppliers from the visual-merchandising field noted a general increase in expenditure on decoration elements for visual merchandising and window dressing. Thus, the amount spent by smaller retailers per themed decoration rose from € 150 – 180 between 2010 and 2012 to € 300 in 2012/2013. According to a company from the chain-store segment, greater standardisation and the multiple use of elements has also led to an increase in efficiency within the framework of the investments made.

“The pressure is growing. Companies must invest more.”

As a visual-merchandising tool with leverage effect, shop windows can make a great impression. Using just a fraction of the total marketing budget, they can have a powerful effect at a relatively low cost. Thus, a slight increase in window-dressing expenditure can achieve a major impact. However, the direct link between window dressing and in-store sales is difficult to quantify due to the different factors that influence purchasing decisions. Hence, one of the companies polled reported that this used to be an area where costs were cut without further ado. Today, however, the shop window is seen as an important aspect for differentiation against the competition.



* Source: GfK Geomarketing; based on German retail-trade turnover by product groups, 2011-2012. Assumption: relevant segments are apparel / shoes / leather goods, household and personal requisites (household goods, watches, jewellery, books, stationery, toys, hobby and sports articles) and furniture / home and household textiles

** Source: EHI Marketingmonitor

Window dressing is growing in importance for the retail trade

Window dressing is one of the most important marketing tools for the retail trade and has grown continuously in significance as a channel of communication over recent years. The trend towards chain stores and the online trade form the background against which retailers must reach their customers on an emotional plane.

“The shop window is unbeatable as a means of advertising and communication – providing it is well done.”

The function of the shop window

From the point of view of the companies polled, the functions of the shop window are clearly defined. A number of topical surveys confirm that people now walk faster in cities. Thus, it is all the more important for retailers to make customers stop and grab their attention. All companies polled said this was an important shop-window function. In response to the question of what they primarily aimed to achieve by window dressing, more than two thirds said they wanted to increase the level of customer awareness of their shop and cultivate their image. The statement, “Shop windows are more important than just sales. They are about image”, illustrates the significance of window dressing. Spotlighting products and assortments is also very important. More than two thirds of companies polled said this was a vital window-dressing function. “The shop window is the setting for core product and brand claims”, said one of the companies. Almost two thirds of respondents also said that shop windows should generate purchasing impulses.

“Purchasing decisions are directly influenced by visual marketing in the shop window or at the point of sale.”

All in all, the results of the EHI Retail Institute survey clearly show that there is a trend towards more elaborate presentations at the point of sale. Despite the current internet boom, one of the companies polled continues to see the retail trade in a better position for reaching customers via emotional product presentations and added, “This definitely includes the shop window, the significance of which will increase in the future”. Another company said, “Shop windows have undoubtedly become more important again”, and considers that this process will continue in the future. A smaller retail company said that they had employed someone especially for the visual-merchandising segment in 2013. Beforehand, the services of external service providers were included in the visual-merchandising budget. With the new appointment, the retailer concerned had increased the amount spent on visual marketing in comparison to the previous year by the personnel costs.

There is a great demand for visual-marketing experts and this reflects the increased importance of window dressing and visual marketing. In 2004, the job profile and training plan of window dressers was thoroughly modernised and enhanced. Today, the training plan includes not only job-related IT applications but also graphic, layout, and image-processing software. New commercial subjects are intended to enable trainees to plan and calculate projects, as well as monitor the results. Nowadays, the job title is ‘visual-marketing designer’.

The shop window as a channel of communication – a multi-faceted medium

Presentation is becoming more and more important. Under the buzzword 'emotionalisation', the attention of customers is drawn to a subject or story that, if possible, begins in the shop window and continues inside the shop.

The ways in which visual merchandising and window dressing are organised and implemented in the retail trade differs greatly from one type of outlet to another. Many retailers say they are prepared to invest in visual merchandising but are held back by budgetary restrictions. Only the bigger companies of the ten polled have independent visual-merchandising departments that are generally subordinate to the marketing department. The majority of companies prepare a marketing plan in close cooperation with the merchandising team and the marketing department.

"Shop windows are a company's business card"

For modern department stores, window dressing is closely bound up with their campaign themes. The subjects and activities dictate a holistic line, which runs through all media whereby particular importance is attached to the central planning and implementation of visual marketing and window-dressing concepts. The shop window is part of consistent PoS marketing. The trend towards more elaborate shop-window presentations is particularly pronounced in the case of department stores whereby the more exclusive the product, the more extravagant the presentation. When products from the Giving and Living segments are on show, they are generally part of a themed presentation.

"Shop windows are clearly regaining significance"

To ensure a homogenous, CI-compliant presence in the market, the window-dressing specifications for chain stores come almost always from head office. Overall, chain stores give less emphasis to the shop window for Giving & Living products than department stores and specialist retailers. Priority is given to in-store product presentations. In many cases, an open shop window offers a view inside the shop. When the windows are decorated, they frequently

revolve around special-offer themes and have no back wall. Nevertheless, the statements given in chain store polls leave no doubt that the shop window is gaining in significance. "Shop windows are ideal for large-scale coverage. Unfortunately, all too little use is made of the opportunities opened up by good window dressing", said one company.

"Generally speaking, window dressing has become more elaborate and opulent."

The shop window is of immense significance especially for smaller retailers because it is frequently the most important medium in the marketing mix. Particularly in the case of retailers with only one shop, the shop window is an essential aspect of differentiation – especially given the spread of chain stores in city centres. Most of the respondents in the group say they only have a very rough idea of the subjects and activities for the coming year. Window dressing is the responsibility of the proprietor, the store manager or a store employee. Nevertheless, small retailers are also moving away from straight-forward product presentations. The principle here is that „appearance is more important than product density“. One of the smaller retailers said, "There is a trend towards more individual concepts (and), in many cases, niche concepts are trend setters."

Window-dressing frequency

Almost all companies have their shop windows dressed by their own employees, e.g., visual-merchandising specialists, decorators or sales personnel. Only two of the companies polled also make use of external experts. In the case of department and chain stores, the window dressing is changed every four to six weeks, depending on campaign duration and the introduction of new subjects. Smaller retailers take advantage of the flexibility to change the window dressing as and when the need arises. Factors influencing this are, for example, sales-promotion activities for new products, as well as seasonal aspects and external impulses, such as major events that are reflected by the window dressing.

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Messe Frankfurt's exhibition grounds, featuring 578,000 square metres, are currently home to ten exhibition halls and an adjacent Congress Center. The company is publicly owned, with the City of Frankfurt holding 60 percent and the State of Hesse 40 percent.

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