Influence of Merchandising on Customer Purchasing Behavior in Superstores of Kathmandu Valley

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Abstract
This research examines the influence and relationship of product merchandising elements with consumer buying behavior within superstores. The study investigates five key independent variables: design feature, ambiance, product assortment, brand image, and display, aiming to discern their impact on consumer purchasing decisions. The study employed a causal research design, convenience-based convenience sampling method, and data collected through a structured questionnaire and used rigorous analysis, including correlation and multiple regression models. The findings revealed that design features, ambiance, brand image, and display significantly and positively influence consumer buying behavior, aligning with previous research on the importance of these elements in retail settings. However, a nuanced relationship emerged with product assortment, suggesting that an excessive variety may hinder buying decisions. This study contributes valuable insights for retailers seeking to refine their marketing strategies and create appealing shopping environments in the competitive world of superstores.

Keywords: Ambience, Brand image, Design feature, Display, Product assortment, Purchasing Behavior, Retail marketing, Superstores

JEL Codes: D12, D83, L81, M31, M37

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Introduction

The purchasing behaviour of customers in superstores is a difficult phenomenon that is impacted by a variety of elements that influence the decisions that customers make. It is essential for organisations and researchers who are interested in gaining insights into the preferences of customers and the dynamics of the retail environment to have a solid understanding of these elements. When this is taken into consideration, the investigation of the purchase patterns that occur in superstores in the Kathmandu Valley becomes especially pertinent, taking into account the one-of-a-kind socioeconomic and cultural backdrop of the region. As was mentioned previously, visual merchandising is an essential component in the process of forming the perception of a superstore (Dahal, 2019; Khadka & Khadka, 2023; Roggeveen et al., 2021). The way in which things are arranged, the structure of the store, and the interactions between employees all have a key role in the overall image. Consumers' decisions to make purchases are frequently impacted by their perceptions of the store's appearance and perceived level of satisfaction.

According to Bhattarai et al.'s research from 2020, the usefulness of this method in influencing the purchasing decisions of clients is yet underexplored, despite the fact that merchants are concentrating on optimizing product assortments. In order to effectively develop assortments, it is essential to have a solid understanding of the tastes of clients in the Kathmandu Valley, who may place a higher value on particular products or categories. According to Dahal (2018) and William et al. (1994), customers at superstores, particularly those in the Kathmandu Valley, value stores that are well-organized, clean, and easy to navigate. Self-service and self-selection that is both effective and efficient are highly valued, and in order to improve the overall shopping experience, businesses need to align their pricing strategies with these preferences. According to Karna et al. (2019), the retail business in the Kathmandu Valley has witnessed tremendous growth, which has been defined by the proliferation of large-scale retail establishments on the market. In order for superstores to successfully adapt and survive in this particular environment, it is vital for them to have a solid understanding of the changing shopping behaviours and preferences of customers.

In today's complex economic climate, household consumption shows the need for retailers and manufacturers to compete for consumers' attention and spending. Retailers must constantly adapt to sales strategies inside and outside their stores to stay competitive. Retailers utilize various tools to attract and engage consumers. These tools include advertising to create demand for products or brands (Erdem et al., 2008; Wansink and Ray, 2000), flyers to increase foot traffic (Gijsbrechts et al., 2003; Schmidt and Bjerre, 2003), and price promotions and discounts to encourage purchases (Blattberg et al., 1995; Gupta, 1988; Inman et al., 1990). However, retailers need to assess the profitability of these tools, as they often involve significant expenses.
Advertising, for instance, requires financial investments in magazine space or television and radio airtime.

There are expenses associated with the production and distribution of flyers, regardless of whether or not the producers pay these costs. Price promotions have the potential to reduce the profit margins of retailers, with manufacturers occasionally sharing the cost burden by reducing the costs by which they produce their goods. Merchandising tactics are acts within the shop that are related to product placement to drive acquisitions (Buttle, 1984). Retailers have access to a variety of merchandising strategies in addition to these tools. According to Valenzuela et al. (2013), these strategies are frequently more cost-effective than other tools. This is because merchants can either earn revenue or donations from manufacturers in exchange for favourable in-store placements. Due to the fact that these positions boost the visibility of a product to prospective purchasers, manufacturers are prepared to pay for them (Buttle, 1984; Inman et al., 2009). Studies have shown that a significant number of purchases are made without prior planning (Bezawada et al., 2009; Franjkovic et al., 2022; Ghimire et al., 2021; Stilley et al., 2010). Therefore, it is essential to improve the visibility of products within the store.

Buttle (1984) describes it as any in-store promotion to trigger purchasing behavior and enhance the benefit-cost ratio. In essence, merchandising refers to commercial actions at the point of sale to stimulate customer purchases upon entering the store. Effective product merchandising is critical for overall business success. Scholars and researchers have emphasized that store interior design can maintain consumer interest, reduce psychological defenses, and influence buying decisions. Therefore, this study seeks to answer the question: How much does product merchandising influence consumers' buying decisions in superstores? In the context of superstores in Kathmandu Valley, visual merchandising can be a crucial sales promotion tool, and retailers also pay significant attention to factors such as background music, indoor plants, and in-store fragrances, believing it might impact consumers' buying decisions. However, some consumers may choose superstores based on external factors like parking availability, children's play areas, and location. The next question that needs to be explored is the effectiveness of product merchandising on consumers' buying decisions in superstores in Kathmandu Valley.

The study examines the effectiveness of product merchandising in customer's buying decisions at superstores in Kathmandu Valley. Specifically, the objective is to comprehensively examine the relationship and influence of design features, ambiance, product assortment, brand image/preference, and display on customers' buying decisions in Kathmandu Valley, Nepal, superstores.

The study advances understanding of how specific elements of visual merchandising influence consumer buying behavior in superstores. The findings contribute to the
existing literature by providing actionable insights that can help superstores tailor their strategies to create appealing shopping environments, foster customer loyalty, and enhance sales in a fiercely competitive retail landscape.

**Literature Review**

In the competitive landscape of superstores, differentiation based on product, price, place, people, and promotion has become a challenging endeavor. Researchers have delved into various aspects of visual merchandising to understand its immediate impact on consumers' purchasing decisions. Color schemes, lighting, and visual display strategies have been explored, revealing their significant influence on consumers' purchase intentions (Babin et al., 2003). Furthermore, studies have investigated diverse factors such as buying committees, relationships with manufacturers, alliances, information utilization, retail buyer tasks, sales staff influences, trade deal acceptance, country of origin effects, and new information technology (Dahal et al., 2022; Hansen & Skytte, 1998). These factors collectively shape the retail environment and consumer behavior. Maier (2009) emphasizes the importance of integrating visual marketing into business plans, focusing on pricing recommendations, store layout, customer response, and merchandising (Ebster and Garaus, 2011). A well-executed visual marketing plan is a catalyst for efficiently establishing a brand image and attracting loyal, long-term customers.

Garvey (2010), as cited in Abad et al. (2018), underscores the significance of visual merchandising in creating desired customer perceptions. Elements like eye-catching displays and careful product placement influence customer decisions, as the store's appearance profoundly affects purchasing choices. Effective visual merchandising aims to educate and engage consumers, utilizing background colors, lighting, artwork, and plant arrangements to create an appealing atmosphere that encourages purchases (Cuong, 2019; Othman, 2021; Sharma et al., 2023). Effective product displays attract customers, promote specific items, announce sales, or mark seasonal changes (Iarocci, 2013). Moreover, music and other atmospheric elements contribute to the in-store experience (Ahmed & Riaz, 2018; Choudhary & Sharma, 2022). According to Santosh and Sharan (2017), visual merchandising is a tool for promoting products through attractive displays to boost sales. It encompasses not only special promotions but the overall presentation of the entire store. Interior design is crucial in creating a memorable and appealing shopping environment. In a rapidly evolving retail landscape, technology has also become intertwined with visual merchandising.

The store environment is vital in shaping consumers' shopping experiences and attitudes. Factors such as appealing decor, music, and maintaining an optimal temperature create a pleasant ambiance (Bielen & Demoulin, 2007; Mattila & Wirtz, 2008). This ambiance enhances the shopping experience and differentiates retailers in shoppers' minds (Sweeney & Wyber, 2002). Consequently, ambiance and entertainment are significant
factors that influence shoppers' attitudes (Balaji & Maheswari, 2021). The Indian retail industry is profoundly transformed by changing consumer behaviors. Indian consumers are increasingly favoring supermarkets over traditional Kirana shops due to the varied store attributes offered by organized supermarkets (Goswami & Mishra, 2009). Iberahim et al. (2020) highlighted a significant positive relationship between customers' impulse buying behaviors and various visual merchandising elements, including window displays, mannequin displays, floor displays, and promotional signage.

Visual merchandising is a pivotal component of a strategic marketing plan, contributing to increased sales and a positive retailer image in the context of fashion clothing stores. Based on store attributes, store image is crucial in shoppers' store selection decisions (Behera et al., 2023). Researchers have explored various store attributes and dimensions from the shoppers' perspective to enhance the store environment and overall store image (Banerjee et al., 2016; Barich & Srinivasan, 1993; Hopkins & Alford, 2001; Saraswat et al., 2010). Shoppers evaluate stores based on these attributes, which contribute to their cognitive store image and influence their store choices (Kumar & Kim, 2014; Li et al., 2023; Pickering & Norberg, 2023; Sinha & Banerjee, 2004; Thang & Tan, 2003).

Previous research evidence underscores the multifaceted nature of visual merchandising, which encompasses various elements like color, lighting, layout, and environmental factors. These factors are pivotal in influencing consumer behavior, ultimately impacting purchase decisions in the retail sector. The dynamic interplay of these variables highlights the importance of continuous adaptation and innovation in visual merchandising practices. The store environment, including ambiance, visual merchandising, and store attributes, profoundly impacts consumers' attitudes and behaviors in the ever-evolving retailing industry. Understanding these dynamics is crucial for retailers aiming to create a compelling shopping experience and establish a distinctive store image in the minds of consumers. With an evident foundation, the study used independent variables to encompass critical aspects of product merchandising, including store design features, ambiance, product placement and variety, brand perception, and display. Meanwhile, the dependent variables revolve around how customers perceive these elements of product merchandising.
The main hypothesis considered in this study includes:

H1: Design features have a positive or negative impact on customer’s purchasing behavior.
H2: Proper Ambience has a positive or negative impact on customer’s purchasing behavior.
H3: Product positioning has a positive or negative impact on customer’s purchasing behavior.
H4: Brand image has a positive or negative impact on customer’s purchasing behavior.
H5: Display of the product has a positive or negative impact on customer’s purchasing behavior.

Methodology

The study used causal research design in hypotheses by stating an independent and dependent variable to determine the merchandise design, ambiance, product positioning, brand image, and display on customers' purchasing behavior. The data collected for the research analysis were quantitative, primary, and descriptive.

Customers of the superstore were selected from the different outlets of the superstores of Kathmandu Valley. There is no uncertainty about whether a particular unit belongs to the population because the population is unknown. In this case, the population of this study consists of people who visit supermarkets to purchase all kinds of available products. Shopping customers at six leading superstores of the Kathmandu Valley were intercepted and surveyed on the spot after their shopping. This study surveyed six superstore customers from Kalanki, Sitapaila, Jhamsikhel, Naxal, Lazimpat, and Balaju.

As the population is unknown, \( p=0.5 \) is used. The confidence level is 95%, and the tolerated margin of error is 5%. The required number of sample sizes becomes approximately 399.
Taking the accessibility and willingness of the customers to respond to this study into account, a convenience-based convenience sampling method was used to draw the sampling units. The customers of superstores are the primary unit of study. These consumers were male and female with diverse ages, socio-cultural backgrounds, varying income levels, and employed or unemployed status. These people currently reside in the Kathmandu Valley and have visited the store at least once. Primary data were collected through a questionnaire survey consisting of a Likert scale (1-5; 1=strongly disagree, to 5= strongly agree) method questions and other close-ended questions. Every four statements for design features, ambiance, product assortment, brand image, and display, and five statements for the dependent variable customer purchasing behavior, a total of 25 items were used in the study questionnaire. Correlation, regression, and Cronbach's Alpha (validity and reliability) analysis were performed using SPSS 26.

**Demographic Profile**

Among the 399 responses collected during the research, the table below summarizes the respondents' demographic data.

<table>
<thead>
<tr>
<th>Groups</th>
<th>No. of Respondents</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 18</td>
<td>4</td>
<td>1.0</td>
</tr>
<tr>
<td>19-26</td>
<td>146</td>
<td>36.6</td>
</tr>
<tr>
<td>27-34</td>
<td>180</td>
<td>45.1</td>
</tr>
<tr>
<td>35-42</td>
<td>69</td>
<td>17.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>399</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>199</td>
<td>49.9</td>
</tr>
<tr>
<td>Female</td>
<td>200</td>
<td>50.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>399</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>210</td>
<td>52.6</td>
</tr>
<tr>
<td>Married</td>
<td>189</td>
<td>46.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>399</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.L.C</td>
<td>15</td>
<td>3.8</td>
</tr>
<tr>
<td>Intermediate (+2)</td>
<td>58</td>
<td>14.5</td>
</tr>
<tr>
<td>Diploma</td>
<td>52</td>
<td>13.0</td>
</tr>
<tr>
<td>Bachelors</td>
<td>185</td>
<td>46.4</td>
</tr>
<tr>
<td>Masters</td>
<td>89</td>
<td>22.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>399</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Table 1 presents a comprehensive overview of the demographic characteristics of the survey respondents. Regarding age distribution, the majority falls within the age groups of 19-26 and 27-34, constituting 36.6% and 45.1% of the total respondents, respectively. A smaller portion of respondents is below 18 years old (1.0%) or falls into the 35-42 age bracket (17.3%). The gender distribution is almost evenly split, with 49.9% male and 50.1% female. Regarding marital status, a significant proportion of respondents are single (52.6%), while a substantial portion is married (46.9%). Regarding educational backgrounds, most respondents hold at least a Bachelor's degree (46.4%), with significant representations from Intermediate (+2) and Master's degree holders at 14.5% and 22.3%, respectively. In comparison, smaller percentages have completed S.L.C (3.8%) or hold a diploma (13.0%). This demographic profile provides valuable insights into the composition of the survey respondents, enabling a better understanding of the sample group.

**Reliability Test**

In this study, the reliability of the measurement instrument was checked through the calculation of Cronbach's Alpha.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Number of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design features</td>
<td>4</td>
<td>.798</td>
</tr>
<tr>
<td>Ambience</td>
<td>4</td>
<td>.782</td>
</tr>
<tr>
<td>Product Assortment</td>
<td>4</td>
<td>.826</td>
</tr>
<tr>
<td>Brand Image</td>
<td>4</td>
<td>.820</td>
</tr>
<tr>
<td>Display</td>
<td>4</td>
<td>.776</td>
</tr>
<tr>
<td>Customer Purchasing Behavior</td>
<td>5</td>
<td>.814</td>
</tr>
</tbody>
</table>

Table 2 presents reliability test results for various scales used in the study. Cronbach's Alpha was used to assess internal consistency. The findings indicate strong internal consistency among the items within each scale, with Cronbach's Alpha values ranging from .776 to .826. This suggests that the items effectively measure the intended constructs (Taber, 2018), enhancing measurement validity.

**Presentation and Analysis**

This section is structured into two distinct parts; the first presents correlation analysis results, and the second delves into exploring regression models.

**Correlation Results**

Pearson Correlation Coefficient shows the relationship between variables, their direction, strength, and significance. The significant correlation coefficients between the variables are summarized in the following table.
Table 3
Correlation Result

<table>
<thead>
<tr>
<th></th>
<th>Design Feature</th>
<th>Ambience</th>
<th>Product Assortment</th>
<th>Brand Image</th>
<th>Display</th>
<th>Consumer Buying Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Buying Behavior</td>
<td>.689**</td>
<td>.668**</td>
<td>.602**</td>
<td>.659**</td>
<td>.660**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3 shows varying degrees of correlation between Consumer Buying Behavior and the other examined variables. Notably, consumer buying behavior exhibits positive correlations with design features, ambiance, brand image, display, and product assortment with correlation coefficients ranging from 0.689, 0.668, 0.659, 0.660, to 0.602 respectively. These high correlations signify that these factors wield significant influence over consumer purchasing behavior in superstores, making them crucial focal points for enhancing shopping experiences and driving sales. While product assortment exhibits a slightly lower but still strong positive correlation of 0.602, it remains an essential factor. This underscores the importance of offering diverse products to attract and cater to consumer preferences. These correlation findings provide valuable insights for superstores seeking to tailor their strategies to create appealing shopping environments and foster consumer loyalty, ultimately boosting sales and competitiveness.

Multiple Regression Analysis

This section explores various factors' combined impact on superstores' consumer buying behavior.

Table 4
Regression Result

<table>
<thead>
<tr>
<th>Factors</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.518</td>
<td>12.280</td>
<td>.000</td>
</tr>
<tr>
<td>Design Feature</td>
<td>.261</td>
<td>5.676</td>
<td>.000</td>
</tr>
<tr>
<td>Ambience</td>
<td>.119</td>
<td>2.112</td>
<td>.003</td>
</tr>
<tr>
<td>Product Assortment</td>
<td>-.066</td>
<td>-1.285</td>
<td>.009</td>
</tr>
<tr>
<td>Brand Image</td>
<td>.162</td>
<td>3.318</td>
<td>.001</td>
</tr>
<tr>
<td>Display</td>
<td>.141</td>
<td>2.750</td>
<td>.006</td>
</tr>
<tr>
<td><strong>R= .74</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R Square = .55</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>F Value= 98.31</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>.000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Consumer Buying Behavior

Table 4 shows the positive standardized coefficients for a design feature, ambiance, brand image, and display, signifying that enhancing these elements within superstores can increase consumer buying behavior. A well-designed store layout, a pleasant ambiance, a strong brand image, and effective product displays all contribute to a more favorable shopping experience, ultimately influencing consumers to purchase. These results emphasize the
importance of investing in store aesthetics and branding strategies to engage customers and boost sales. A negative standardized coefficient for Product Assortment suggests that an increase in the variety of products available may lead to a decrease in consumer buying behavior. This counterintuitive finding highlights the need for a balanced, curated product assortment that aligns with consumer preferences. Retailers should avoid overwhelming customers with an excessive array of choices, focusing instead on offering a well-considered selection of products. The model's statistical significance and the high R-squared value indicate that these factors can explain a substantial portion of consumer buying behavior. Retailers can leverage these insights to refine their marketing strategies, creating store environments that resonate with customers, enhance their shopping experiences, and drive sales in an increasingly competitive market.

Discussions
The study's findings align with prior research in visual merchandising and consumer behavior within superstores. Notably, design features, ambiance, brand image, and product displays exhibit strong positive correlations with consumer buying behavior, consistent with previous literature (Babin et al., 2003; Dahal, 2021; Garvey, 2010; Ghimire et al., 2022). These factors are critical for shaping consumer purchasing decisions and enhancing the shopping experience (Cuong, 2019; Othman, 2021). While conventional wisdom has often emphasized offering a wide range of products to attract customers (Goswami & Mishra, 2009), this study suggests that overwhelming consumers with excessive choices may lead to reduced buying behavior. This finding underscores the importance of curating and balancing product assortments based on consumer preferences (Behera et al., 2023). The study's robust statistical model, indicated by the high R-squared value and statistical significance, reinforces the practical relevance of these findings for superstores seeking to refine their marketing strategies. By focusing on design features, ambiance, brand image, and product displays while carefully managing product assortment, retailers can create store environments that resonate with consumers, increasing sales and heightened competitiveness (Maier, 2009; Santosh & Sharan, 2017). Findings advance our understanding of how specific elements of visual merchandising influence consumer buying behavior in superstores. The study contributes to the existing literature by providing actionable insights to help superstores tailor their strategies to create appealing shopping environments, foster customer loyalty, and enhance sales in a fiercely competitive retail landscape.

Conclusion
This study represents a comprehensive exploration of consumer behavior within superstores, shedding light on the influential factors that drive purchasing decisions. The findings underscore the significance of design features, ambiance, brand image, and display, which strongly influence consumer buying behavior. Retailers can leverage these insights by investing in store aesthetics, creating inviting environments, strengthening
their brand image, and optimizing product displays to enhance the shopping experience and boost sales. Additionally, the study reveals a nuanced relationship with product assortment, emphasizing the need for a balanced and curated selection to align with consumer preferences. The statistical significance of the model and the substantial portion of variation explained (approximately 55%) highlight the robustness of the analysis. In an increasingly competitive retail landscape, these findings serve as a valuable guide for retailers aiming to effectively tailor their marketing strategies to meet evolving consumer needs and preferences.

Limitation and Future Scope

The findings of this study may not be generalizable to a more varied or global context due to many constraints. Larger and more geographically diversified samples should be used in future research to improve external validity. Second, the study uses survey data, which might be biased by social desirability and recollection bias. Due to the rise of digital commerce, superstore consumer behavior should be examined through website design and user experience. Researchers can improve consumer behavior understanding in the changing retail ecosystem by using advanced research methods and addressing these problems.

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