

Store remodelling benefits bottom line

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Retail sales increase by nearly 50 per cent when shops are upgraded, according to new research.

Researchers from Monash University's Department of Marketing looked at the effect on both first-time visitors and existing customers when retailers undertake major remodelling of their premises.

Professor Tracey Danaher said stores were remodelled every seven to 10 years on average. As shopping is an important part of daily life for many people, the financial return on investment had the potential to be

substantial.

"The in-store experience continues to have high relevance; retailers must keep their appearance modern, fresh and in line with that of competitors," Professor Danaher said.

"The look, feel, and mood of a firm's retail or service environment are unique and crafted purposefully to contribute to the brand and ultimately, its profitability."

Sales to new customers increased by 43 to 44 per cent after remodelling, and those to existing customers went up by seven to 10 per cent.

"We found sales for new customers were significantly higher than those for existing customers after the remodel, and this difference persisted for a year," Professor Danaher said.

"Higher sales to new customers were primarily due to the fact that more new customers were drawn to the altered store, they spent more each time they visited, and they subsequently visited more often."

Professor Danaher said store remodelling should be regarded as a marketing investment, designed to retain and attract new customers, similar to mainstream advertising.

"It is vital that retail firms understand how remodelling the store layout influences customer perceptions and purchase behaviour," Professor Danaher said.

"New customers' perceptions of the retail environment - including its atmosphere and layout - were much higher than those of existing customers. They also perceived significantly greater service quality and higher levels of customer satisfaction.

"However, for all customers, remodelling not only enhanced perceptions of the store's layout itself, but also changed psychological responses and purchase behaviour."

The study also found the difference between new and existing customers endured for the long run.

"Store remodelling is expensive, so managers must weigh the benefits against the costs," Professor Danaher said.

"It might take a couple of years to recoup the outlay, but the encouraging returns shown in the study should prompt managers to view remodelling as a strategic marketing investment rather than a necessity to endure every decade."

The study was published in the *Journal of Marketing*.

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Provided by Monash University

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