Store design: the effect of Iceland’s refit strategy on food consumers

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ABSTRACT
The primary aim of the research was to determine the impact of Iceland foods plc store design refit strategy on shoppers’ behaviour. Based on the researcher’s phenomenological stand, informal interviews and observations were used to collect data. A total of thirty interviews and observations were carried out in two refitted stores of Iceland foods plc and the data collected were analyzed qualitatively. The findings point to the relative importance of the stages of the consumer decision making process, and also to the relative importance of the factors which influences the consumer decision making process. Overall, service quality was found to be important to all and the refit strategy according to the customers was indeed a success.

INTRODUCTION
Since Iceland was formed in 1970 it has followed a strategy of developing its business units into growth areas supported by integrated central functions. This integration process has been successful and cost controlled effectively. However, progress within the customer-facing business units has been more difficult. Over the last four years food retailing in the UK has undergone significant change. Large supermarket chains have entered the high street, which offer growth as changing customer habits, favour convenience shopping. Iceland stores are well located to participate in this growth but
require investment to offer the width of product range associated with current convenience offer. Iceland’s strategy has been to invest in store estate with greater emphasis on fresh produce and chilled and ambient grocery products. These strategies have, in part been successful. Iceland’s new concept stores have improved sales densities and increased participation in the full weekly shopping basket, but not enough to catch up the market leaders.

The UK food retail market has seen a second strategic shift following the supermarket consolidation. Retail prices have moved sharply downwards with an increased share of spends taken by ‘everyday low price’ (EDLP) format and away from the promotional format traditionally favoured by Iceland (Grimsey, 2004). Whilst improved buying has improved margins in the short term, Iceland has seen a decline in volumes and customer transactions. Iceland expects this difficult competitive landscape to persist. Moreover, the clearance by the competition authorities of recent acquisitions in the convenience and the high street segments by the major supermarket chains have made it clear that the authorities will continue to allow such expansions in the future.

Opportunities for growth by acquisition have also been explored in all segments but these have not proved possible, partly as a result of the competition for assets from the major supermarket chains. Iceland’s interest in Londis, for example, would have provided facilities for delivered wholesale as well as increasing share of the convenience market but this was not successful. More generally Iceland’s ability to grow by acquisition has been and would continue to be constrained by its current degree of leverage and the problems with acquiring new properties. In light of these factors, the only possible alternative was to embark on the refit of its existing stores.

**RESEARCH AIMS AND OBJECTIVES**

As supermarkets offer products and services to satisfy the needs and wants of consumers, the opinions and attitude of consumers to these products and services are very important to the well being of supermarkets. The purpose of this study is to provide information which helps to improve the way supermarket (Iceland) reacts to the changing needs and wants of consumers. The primary aim of the study is therefore to determine the impact on shopper’s behaviour of the roll out of the new refitted store design. The key objective of the study is to find out after undertaking a refit of its existing structures Iceland meets the changing needs of its customers and improves its market position in the UK. The research will therefore empirically examine the purchasing habits of customers to find out if Iceland subsequently meets with their market demand. The findings of this study will be useful to Iceland and other competing supermarkets in the UK food retail marketplace.
LITERATURE REVIEW
In the past, supermarkets were not known for the quality of their design, because they place more emphasis on cleanliness, choice and efficiency. As the food retail environment is becoming very competitive, food retailers are relying on store design as a key strategy to penetrate into the various segments realizing that they were already strong on those traditional qualities of cleanliness, choice and efficiency. Hence they saw “store design” as the only strategic decision to further enhance their points of difference from the competition by using the design of the retail environment to influence the consumer decision making process and buying behaviour.

The design of a retail store environment has become very important for the consideration of retailers as a way of creating competitive advantage. “Rapid development of large new stores in 1970’s drew attention to the need to consider the store selling environment as a whole to ensure that the shopping experience is convenient and attractive” (McGolddrick, 1990). Store design and for that matter store location and store refit strategy is a long term fixed investment strategy which needs to be critically evaluated. This is because there are so many disadvantages associated with a poor store design or store refit strategy whose effects are difficult to overcome. Given the significance of these decisions as stated by Bell, et al., (1998), the issue of store design (retail location) has generated a lot of debate in retail marketing literature. For example, central place theory, bid rent theory, and Theo law of retail gravitation are perhaps the most theoretical contributions to these debates. Industry analysts suggest that location explains up to 70 per cent of the variance in people’s supermarket choice decisions (Progressive Grocer, 23 February 1995).

Consumer decision-making process
Various theories and models have been developed by different writers to explain the consumer decision making process and buying behaviour. According to Bearden, et al., (1995), the consumer decision process assumes a conscious and logical decision making process: from recognition of a need or problem to information search to evaluation of alternatives, and purchase. Kotler, et al., (1996), also believed that consumers pass through five stages when buying a product. However, they agree that learning about the whys of consumer buying behaviour and the decision making process is not so easy because the answers are often locked within the consumer’s head. The model implies that consumers pass through all the five stages with each purchase. This view supports the ‘black box’ model which investigates complex objects (human beings) without knowledge or assumptions about its internal make-up, structure or parts i.e. a model exhibiting a behaviour that approximates what is observable from the outside of the ‘black box’.
This sequence can be affected by the social environment, individual differences and situational factors. All these factors combine to establish the context within which organizations deliver their products and services to their consumers. Examples of such factors is the extent to which culture, shop layout, window posters, level of customer service, store environment can influence consumers purchase decisions. Blythe (2001), states that problem recognition arises when the consumer realizes that there is a need for some item. This can come about through assortment depletion (where the consumer’s stock of goods has been used up or worn-out) or assortment extension (which is where the consumer feels the need to add some item to the assortment of possession.

There is, of course, a significant difference between being aware of a need or problem and being able to do something about it. Many needs are latent or remain unfulfilled either because the consumer decides not to do anything about it now, or because they are unable to do anything (Brassington and Pettit, 2000). Having become motivated or aware of the problem and the need to seek a solution, consumers engage in information search which is the second stage of the process. According to Brassington and Pettit (2000), there is evidence to suggest that consumers cannot cope with too much information at the product level. Thus the greater the relevance of the information to the consumer, such as the key benefits and applications of the product, the easier it is for the consumers to assimilate and process that information as part of the decision making. In other words, better and more extensive information may actually tend to a poorer buying decision.

Jobber and Fahy (2003), argue that consumer’s level of involvement is a key determinant of the extent to which they evaluate a brand. When a purchase is highly involving, the consumer is more likely to carry out extensive evaluation. In contrast, in low involvement situations, consumers use simple choice tactics to reduce time and effort rather than maximize the consequences of the purchase. How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situations. In some cases, consumers use careful calculations and logical thinking. At other times, the same consumers do little or no evaluating; instead they buy on impulse and rely on intuition.

Kotler et al., (1996), argue that in the evaluation stage, the consumer ranks brands and forms purchase intention. Generally the consumer’s purchase decision will be to buy the most preferred brand. They state further that two factors i.e. attitude of others and unexpected situational factors can come between purchase intention and purchase. Consumer’s decision to change, postpone or avoid a purchase decision is influenced heavily by perceived risk (Jobber, 2001). The amount of perceived risk varies with the amount of money at stake, the amount of purchase uncertainty and the
amount of consumer self-confidence. Blythe (2001), states that before the purchase, the consumer will have formal expectations of the product’s capabilities in terms of (i) equitable performance (what can be reasonably expected given the cost and effort of obtaining the product (ii) ideal performance (what the consumer hopes the product will do); and (iii) expected performance (which is what the product probably will do). Sometimes this evaluation leads to post purchase dissonance, when the product has not lived up to expectations, and sometimes to post- purchase consonance when the product is as expected or better. This helps the consumer in information search process next time.

A satisfied customer buys a product again, talks favourably to others about the product, pays less attention to competing brands and advertising, and buys other products from the company; but a dissatisfied customer will respond differently and negatively (Omar, 1999). Research has shown that only one-third of consumers will complain or seek redress, the remainder will boycott the goods in future or simply complain to others, either of which is non-optimal outcome from the viewpoint of the retailer (Blythe 2001).

**Influencing factors**

Duncan (2005) explains that the demand for goods and services is motivated by human needs and wants, which are biological and psychological motivations that drove actions. While both biological needs (food, shelter) and psychological needs (love, respect) require immediate response, wants command a lot of attention in consumers’ minds. In deciding to purchase a product to satisfy the need or want, a shopper’s decisions are influenced by demographic characteristics including age, life-cycle stages, occupation, lifestyle, personality, and self-concept (Kotler et al., 1996).

Fill (1999), observed that mothers who shop with children are more likely to be influenced by product preferences of their children than when shopping without them. This may be due not only to the amount of time available to complete the physical act of shopping but also to the time it takes to process the information. According to Morgenstein and Strongin (1992), the physical structure of a store is a major component of the store’s image and is itself a selling device. Window areas offer a major area to provide a distinctive image for a store, to provide seasonal activities and merchandise, or to create interest and capture the attention of the public. Whatever the store front design, it should act as a funnel to induce the potential customers to enter the store (Kent and Omar, 2003). The window draws consumers to the store with a welcoming impression that excites and makes the customers want to discover more in store. On the other hand Dunne, et al., (2002), emphasised on merchandise presentation which they suggest must be exciting so as to catch and hold customers’ attention, be easy to understand, encourage shoppers to browse, evaluate, and buy. The presentation of the
merchandise is therefore a critical factor in the selling power of a store and has a significant effect on the store image. All these literature findings point to one fact, that good quality service is no longer a luxury but a necessity in this fiercely competitive sphere of retailing. Customer service can have a profound impact on sales because when a customer had a bad experience with a store, this experience is usually shared with friends and relatives. As a result, goodwill would be lost and the affected customers will take their patronage elsewhere.

**RESEARCH METHODOLOGY**

The literature review has raised some key debates regarding store design and store refit. Areas of particular interest include the diverse interpretations and understandings of consumer shopping behaviour, store layouts, and general in-store communications with the customers to encourage patronage. The research therefore investigates customer perception of Iceland’s store design and store refit from the eyes of its customers. Since the research was conducted in a retail shopping environment, it was difficult to understand the actions of the customers without understanding the meaning that the customers attributed to those actions (feelings, purchase intentions, and values). Since the researcher needed to understand the feelings held by the customers a face-to-face interaction was developed through in-store interviews. Thus in order to achieve the aims and objectives of the research, the researcher considered the phenomenologist paradigm to be the appropriate paradigm for this research.

**Sampling approach**

In order to fully understand the impact of Iceland’s refit strategy on its consumers, the researcher used two refitted stores for the study. This is because gaining physical access into the stores could be difficult. Based on Saunders’ et al., 2000) argument, supermarkets may not be prepared to engage in additional, voluntary activities because of the time and resources required. The researcher is a member of store management team at Iceland and has a physical access to the stores. It was also relatively easy for the researcher to gain informal acceptance from the intended participants.

The researcher spent five working days at each of the two stores in order to gain an in-depth understanding of the operational process at each store. This provided the researcher with sufficient time to get beneath the surface of the stores’ operational culture, to observe behaviour and became familiar with key customers. It also allowed the researcher time to familiarise with the staffs whose contribution to the success of the research was necessary. The researcher relied on qualitative interviews as the primary method of data collection. The purpose of the interviews was to have customers’ reflection on their recent shopping behaviour. With these two stores currently
undergone refit, any changes were fresh in customers’ mind and thus, the reconstruction of events was possible. In addition, interviews allowed the researcher to discuss the store design refit strategy in detail. During the interviews the researcher was particularly interested in their account of events using a discussion guide prepared in advance of the interviews. This helped the researcher to explore several themes. Prior to the interviews being conducted, intended participants in the interviews were observed in different locations in the store. This allowed the researcher to draw comparisons, decided on whom to interview and what to ask during the interviews. During the informal interviews notes were taken to supplement tape recording whiles CCTV recordings also helped the researcher to supplement note taking during observations. This allowed for cross analysis and gave a clue to what to ask and observe during subsequent interviews and observations.

**Data collection**
From the variety of data collection methods available, the researcher used a combination of direct observations and informal interview. Observation was the beginning point of the data collection (observing customers in various areas of the store, ‘witnessing events which particularly preoccupied the customers, or indicated special importance to them). This process gave the researcher confidence that important and focal issues were being addressed. A phenomenological approach to this research suggests that unstructured questions, where the questions have not been prepared beforehand were used. One aspect of unstructured or semi structured interviews is that the issues discussed, the questions raised and the matters explored change from one interview to the next as different aspects of the topic are revealed (see Saunders et al., 2000). Despite the obvious disadvantages, interviews permit complex questions and follow-up questions, which is not possible in questionnaire surveys. This is very important considering the nature of this study in which customers’ shopping behaviour is pertinent.

A total of fifteen (15) interviews were conducted in each store (five interviews were conducted on Monday, Wednesday and Friday each week for two weeks). During observation of shopper’s behaviour, several problems including concerned with ethics, objectivity, visibility, technology for recording, were observed. The problems relating to observer bias and distraction during observation process were also of concern. During the observation, shoppers were not told that they are been observed. This was to ensure that customers exhibited their normal behaviour in a natural way.

**Data recording process**
The interviews were tape recorded with notes taking to complement it. Before recording the interviews the researcher sought permission from the
interviewees. The reason why the researcher preferred to tape record the interview was explained to the interviewees. Where it was likely to have a detrimental effect on the interviewee tape recordings were not used. Where a tape recorder was used, it was still necessary to listen attentively. Video recording was used during observations using CCTV camera to fill any gap left by the researcher during the note taking. Although using video is a complex and technically demanding process, the potential this method holds for extending behaviour and illuminating new problems should not be underestimated. The advantage of video is the relative completeness and complexity of the data captured and the permanence of the record it provides.

DATA ANALYSIS AND RESULTS
The nature of the research questions, aims, objectives and the methods of data collection means that the collected data is qualitative in nature. Thus as Saunders et al., (2000) pointed, there is no standardized approach to the analysis of qualitative data. The discussion guide and the questions that were used during the interviews and observation were grouped into categories derived from existing themes and the literature review. This allowed the answers that respondents gave to be grouped into the various categories. Responses were therefore rearranged and analysed systematically after each interview and observation were categorised. The literature review has identified major patterns of behaviour, themes, and issues and expected or presumed relationships between them. These were used to serve as an initial analytical framework for analysing the results.

Even though the research was conducted among the customers of Iceland food plc whose customers are thought to have homogeneous needs and wants and therefore will respond to the same marketing mix, there seem to be a general difference in attitude and behaviour from the research conducted in these two stores. The most significant divergence of attitude among the customers appeared at some stage in the interviews and observations. Although these two stores were refitted at different times of the year, reconstruction of events were still fresh in the minds of all the customers interviewed. What seems to be interesting is that most of the customers interviewed either consciously or unconsciously made reference to the state of the stores before and after the refit.

The customers in one of the stores were generally impressed with the changes that have taken place since the store was refitted. For this group of customers the new refitted store has really made a huge difference to their shopping experience. It offers them the opportunity to make comparison with other retail outlets in the surrounding area and also gave them the
reassurance that Iceland is not taking their loyalty for granted. These declarations were made openly with comments like;

"'I can change my mind at any time if I'm not satisfied with the services provided here". "'They know it themselves that they cannot mess with customers these days". "'Time is running out on them. It's long overdue"; and "There is more out there to choose from".

The same views were shared by the customers from the second store which emphasis the extent to which the refit has brought a lot of changes to the customers of Iceland. It emphasizes the point that customers now have a greater choice and could easily go elsewhere. With local convenience shops, out of town retail parks, high streets and even petrol stations expanding the range of food they sell, customers can buy food anywhere. As such customers shop around to find the best promotions and are always looking for bargains. It’s therefore becoming a lot harder these days to convince customers to shop with one retailer and making customer loyalty becoming a thing of the past. Retailers will therefore have to give their customers valuable reasons to stick with them. Customer patronage was particularly high and uniform throughout the day in the second store with more customers using trolleys for their shopping than using shopping baskets. In the first store, though the patronage was high this tended to be in the late afternoons to evenings and the customers preferred basket shopping to trolley shopping. Most of the customers from both stores were not happy with the fact that some of the products were discontinued after the refit and replaced with new products. When products are discontinued it has the power to drive away some customers to competitors since the quality of the discontinued products could be the reason why some customers chose to shop with a particular retailer. This could be more serious if the quality and/or taste of the new product fails to meet their expectations or poorer than the discontinued products. It is therefore important that before products are discontinued and replaced with new products, the new products should be displayed alongside the intended discontinued product for some time and their performance from the customers’ viewpoint monitored before being faced out completely giving customers time to adapt to the taste and/or quality of the new product. With regards to home shopping and home delivery services provided by these two stores, customers of second store patronize the services than those of store1 with home shopping virtually not been patronized by these customer groups. This could be attributed to the relative importance of their culture when it comes to buying food items. They feel more comfortable buying food items that they can feel and touch than making purchases over the internet or phone at home. It also suggests that the services of home shopping and/or home delivery will be more appealing
to families or individuals who have more commitments or have limited time like the working class, the aged or disabled people. On the contrary the non working class will see going shopping as a leisure activity and hence will prefer going out for shopping than making purchases over the phone or the internet. The whole idea of store refit is to improve the level of customer satisfaction and meet the changing needs and wants of customers in this competitive retail environment. Some of the respondents felt that this was not achieved and in their view the refit did not fully meet their expectation.

**Point of sale displays**
The use of point of sale (POS) materials and other directional signs in the retail environment was of secondary importance to customers of the first store. The customers did not make use of the point of sale materials and directional signs in the store directing customers to the location of products in the store even though these materials provided very relevant information and were self explanatory that could help them to locate products in the shop. This development was very common among the over 35year olds who speak little or no English. Many of these customers relied heavily on assistance from the store assistants. It is not all the customers who ask for locations of products cannot read but the type of product and the time available for shopping will determine to some extent how willing customers are to find the locations of products in a store. Work rich time poor customers are more likely to seek assistant from staffs than to make use of point of sale and directional signs. As such their experiences with staffs will go a long way to influence their shopping experience and satisfaction as they may be impatient at times and are mostly in a rush hence use the slightest opportunity to register their dissatisfaction.

Generally the customers felt that there has been a huge improvement in the services provided by the store. Most customers interviewed commented favourably on the store refit and said there happy to shop in the new refit store. The importance of customer service in the retail environment cannot be underestimated. The services at the checkouts play a very important role in determining repeat purchases as it sums up the shopping experience. While it is essential to interact with customers at the checkout with a welcoming conversation, it can infuriate others as such conversations can hold up the queue making time poor customers to become impatient. It’s therefore important such interactions should be brief without personal conversations. Some customers may generally not be interested in interaction at the till and cultural backgrounds can influence how people will like to be asked certain questions in public as personal questions can embarrass people if not properly phrased.
DISCUSSION OF THE RESULTS
The primary aim of the research was to determine the impact on shopper’s behaviour of the roll out of the new refitted store design at Iceland Food Stores. The general idea behind the refit was to improve the level of customer service as a result of the intense competition within the food retail industry in recent years and the fact that growth through acquisition of new properties was becoming impossible as a result of competition from major competitors in the UK food retail industry. The learning process begun as a result of the information provided through advertising and publicity in the stores prior to store closures for refitting. This provided a positive drive and reinforcing messages in the minds of customers which motivated them to come to the shop after the refit. The fundamental aim of this was to create the initial awareness that was needed to move the customers through the learning and purchasing process. Since, consumers are continually occupied in their quest for satisfaction the initial awareness that was created before store closures for refit prepared their minds for competitive offerings and improvement in service quality when stores reopened after the refit. This accounted for the initial high patronage when the stores were reopened after the refit.

According to Kotler (1996), consumers in deciding to buy a product or service move through a five step process from need identification or problem recognition to post purchase evaluation. In so doing there are several factors that influence their shopping decisions. Most of these factors have been reviewed in the literature. The findings from the information provided by the respondents showed that it is partly consistent with Kotler’s conceptual underpinning. However, in the design of Iceland’s refit strategy the stages used by the customers could not be stated in accordance to theory as it differs from customer to customer. In the case of existing customers they tended to skip some of the stages as it was a routine purchase for them. Without further qualitative data to explain this, it can only be postulated that the new customers probably followed the stages. As the current responses tend to show, the customers’ problem definition come about as a result of assortment depletion and assortment extension. This finding is consistent with Blythe’s (2001) observation noting that consumers engage in two types of information search (internal and external) having passed through the need recognition stage.

In terms of window display, Fitch and Knobel, (1990); Akwensivie, (2004) observed that windows of a store integrate communications by reinforcing the market position of the company, creating interest and encouraging comparisons as well as stimulating purchase decision making. The evidence of the present research supports these observations as customers used the information displayed on the windows in their search of information before entering the store and also whiles in the store. Window display also offers them the opportunity to make easy comparison with
competing stores. The data showed that the information search stage by customers is a continuous process and takes place even in the store through interaction with staffs and other customers in the store. New customers to a shop tend to rely on staffs and other customers for information than existing customers partly as a result of the existing customers familiarity with the store layout. Visual display and merchandise also provide information to customers during the information search of the buying process. During the evaluation of alternatives, products’ assessment can be based on objective criteria related to the attributes of the product and its use (price, specification, service etc) or subjective criteria such as status, fit with self image or thrust of the supplier (see also Kent and Omar, 2003). In general, the findings of this study highlight the fact that as food retailing in the U.K is highly competitive; customers are constantly scrutinising products, prices and promotions. It is now easy for customers to make comparisons between different supermarkets, but very often their shopping habits are dictated by the environment and standards of service on offer.

MANAGERIAL IMPLICATION
It appears that the UK food retailers can indeed gain and maintain competitive advantage without relying on price in this highly competitive retail environment. Competitive advantage can be gained by retail managers focusing on other important factors that influence the consumer decision making process and meets the needs of the target consumers. The results of this study show that consumers indeed follow certain steps when making food purchase. These decisions are affected by the social environment, individual differences and situational factors to varying degrees. By understanding these processes and their implications on the consumer, food retail managers can stay ahead of the competition. The findings also suggest that most of the information retailers provide is very confusing and hard to find. In most cases these information is provided primarily to meet legal requirements. More emphasis should be given to serve the customer in the manner that meets their requirement and thus create customer satisfaction that may lead to subsequent customer loyalty.

RESEARCH LIMITATIONS
The limited financial resources did not allow the researcher to give incentives to the participants to encourage participation. This also prevented the researcher to travel to other areas to compile very relevant information and access relevant articles and journal on the internet. Even though the researcher initially proposed to conduct the research on two refitted and two non-refitted stores, this was not possible considering the limited time available to the researcher. The poor quality of the CCTV camera used also
meant that very important phenomenon were not capture for further interpretation.

FUTURE RESEARCH DIRECTIONS
This research has open up new areas of future research. The analysis of the results has shown that cultural influence affects customers shopping behaviour in the food retail environment. This research can be replicated in the clothing retail environment to see the extent to which cultural factors affect peoples shopping behaviour in the fashion retail. Again the patronage of home shopping and home delivery services was very poor in the first store as compared to the second store. Further research can be conducted to investigate this occurrence. As the researcher was not able to conduct the research on two non-refitted stores as initially proposed, this research should be conducted again to include non-refitted stores. More than two stores covering a wider geographical area should be used in future research so that the results from the findings can be generalised.

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