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South Australia

Ehrenberg-Bass
Institute for Marketing Science

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Price

The Power of the Endcap

Use of Endcaps by: Retailers/Manufacturers & Shoppers



William Caruso

B. Management (Marketing)

Submission of the thesis for the Award of Masters of Business (Research)

Supervisors: Dr Svetlana Bogomolova Dr Armando Corsi Dr Justin Cohen
Professor Larry Lockshin Associate Professor Anne Sharp

March 2016

www.MarketingScience.info



ABSTRACT

Endcaps are displays for products located at the end of an aisle or row of shelving in a supermarket or retail store (Levy and Weitz 2009). Endcaps are considered a valuable form of in-store media for manufacturers and retailers because of their ability to prompt sales increases and high prevalence relative to other forms of in-store media (Sorensen 2009a).

Retailers might be able to measure certain aspects of their in-store media expenditure through means such as internal research reports on sales lifts from features and displays. However, there is minimal publicly available academic research on such activities. As a result, optimising the effectiveness of endcap displays can be very difficult. Both manufacturers and retailers lack a holistic understanding of the interaction between categories and endcap alternatives in the store: i.e. which brands or categories should be placed on endcaps and which locations in the store could generate the most return on merchandising investment.

The aim of this thesis is to lay a foundation for a better understanding of the current endcap practices and shopper behaviours associated with endcap displays and purchases in Australian supermarkets. In particular, this thesis will help describe what brands/categories are most prevalent on endcaps, what are the most popular price framing techniques, the size of endcaps and location in store. The second aspect of this thesis looks into behaviours associated with endcap use by Australian shoppers to understand which store locations could generate optimal return on investment for manufacturers. No studies to date have looked at the use of endcaps by retailers and/or manufacturers within the Australian supermarket setting.

The outcomes of this research are important for manufacturers, retailers and academics as it helps to clarify the current practices in the market and how shoppers behave in response to in-store endcap activities. This will provide benchmarks on which future endcap studies can be based.

Specifically, the research questions investigated in this thesis are:

- What are the supermarket industry practices regarding the use of endcap displays?
- How do endcaps perform in terms of path to purchase metrics?
 - How do path to purchase metrics differ by location of endcaps in the supermarket?

- How do path to purchase metrics differ by product category type on endcaps in the supermarket?
- How does shopper endcap behaviour differ by trip type?

This thesis uses two methods to address these questions. The first method is an endcap store audit of 550 endcaps from five stores located in Australia each week over two 5-week periods. The second method involves 132 eye-tracking recordings of shopping trips collected in two supermarkets.

The key findings from this thesis are:

1. Endcaps are a place of promotion in Australian supermarkets:
 - a. 70% of endcaps are on price promotion;
 - b. 14% are on an everyday low price promotion;
 - c. 16% are not on a promotion.
2. The majority of endcaps (78%) display only one category on a single endcap. Categories on endcaps are most often high-penetration categories. These categories include: Soft Drinks, Chips & Snacks, Breakfast Foods, Chocolate Confectionary, Toilet Rolls and Biscuits.
3. Overall, just under half of all endcaps have one brand on display (47%), 20% have 2 brands and 13% have 3 brands.
4. Endcaps at the back of the store have on average 27% more foot-traffic past them compared to those placed at the front of the store.
5. On average, endcaps at the back of the store have double the visual reach compared to those at the front.
6. Endcaps at the back of the store fall into the shoppers' field of vision first on their shopping trip.
7. Endcap purchases are less likely to occur on quick trips (1-5 items).

In addition to the practical findings, this thesis also provides significant methodological contributions, including a number of path to purchase metrics, and methods for documenting marketing practices and understanding shopper behaviour. In particular, the value of using the eye tracking methods developed and adopted in this thesis. It also helps to establish the validity of audits in documenting practices in the supermarket environment.

This thesis contributes to practice. It gives a practical understanding of the different shopper behaviours of foot-traffic, visual reach, shopping and purchases associated with endcaps. This provides knowledge that is useful to determine which products to place on endcaps or how retailers might sell this space. Consistent with prior research, retailers should place high penetration categories that are purchased by more shoppers on endcaps as this will result in more sales. Placing niche categories such as nappies on endcaps is not advantageous, as this category will not appeal to the majority of shoppers, resulting in lower overall endcap sales for the store. This thesis helps manufacturers to understand how to reach more shoppers in the store and which locations and categories are worth paying for.