



**THE MERCHANDISING OF PRESENTATION AND
PERSUASION IN THE POINT OF SALE OF
SUPERMARKETS, ESPECIALLY IN
SUPERMARKETS LIDL.**

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PART 1: THEORETICAL CONTENTS

1. INTRODUCTION

1.1 Justification for the choice of subject, objectives and structure.

The reason for choosing this subject is to know the different activities and techniques used by stores at the point of sale, in order to arouse the interest of consumers purchase. More specifically I have focused on merchandising techniques employed by discount supermarkets Lidl particularly, because although these establishments offer lower prices than other supermarkets also have great importance and have presented growth in their market shares. Therefore it is interesting to consider what activities merchandising presentation and persuasion have developed in these establishments.

The desired objectives are to apply the theory of merchandising presentation and persuasion to an actual case study to see if they use some or all of the actions that are reflected in theory or not the standards are met.

As for the structure, it has been divided into two parts, a first in which the theoretical contents of merchandising and a second in which the example of the application of the techniques discussed in theory in Lidl supermarkets is performed will be developed.

By merchandising presentation may see both the layout of establishments like structures of the various sections and assortment of products at the point of sale in order to optimize the flow of customers in the stores and increase profitability the surface. For the implantation of the techniques of merchandising presentation be effective, they have to perform properly the placement of the different sections of sale, create a proper circulation through the aisles, the arrangement of furniture, location of products on the shelves, as well and determining number of products in the linear and finally to make the presentation of the products.

With the merchandising of persuasion will seek to encourage establishments both internally and externally to make this more attractive to customers and increase profitability. That is why in this section will detail both the external design (which is very important because it is the first image that consumers have of establishment) and internal design. In determining the external design of the shop front, the label, the window and the entrance to the establishment is treated. Then, in the internal design further study will be carried out as should be encouraged within the facility to achieve stimulate consumers. That is why in this section the physical media will be treated to determine the presentation of the product, such as use of headers gondolas, islands, piles or containers among others; the psychological means, in which promotions and advertising used at the point of sale, will try. In advertising it will discuss the advertising done through leaflets and posters made by animation within the establishment and placement of these.

Concerning to the promotions, they will be divided into those carried out by manufacturers and those conducted by distributors. In the promotions made by manufacturers will be treated on the one hand the targets which can be achieved through them, and on the other hand, a classification of these depending on whether they are monetary or nonmonetary promotions. In reference to the promotions carried out by the distributor, according to Díez de Castro and Landa, (1996), can be divided into three types: price promotions, promotions unpriced and finally promotions for openings or anniversaries.

The focus of these techniques has focused on supermarkets, particularly in Lidl because in recent years, discount supermarkets have been acquired importance and year after year are increasing their market shares by offering their products at a price lower than do other supermarkets. In the case of Lidl specifically, it is the fastest growing chain is experiencing in Spain in recent years.

Therefore they will develop different types of Merchandising techniques of persuasion and presentation Lidl has implemented in its various establishments in order to attract customers and which have allowed them to continue to grow year after year in the Spanish territory.

Finally, it has been concluded with a picture that visually reflects whether merchandising techniques and presentation and persuasion Lidl approach the standards of the theory.

1.2. Methodology used.

In this section we will try to explain a manner in which the different parts have been made. First, in terms of theory, has resorted to various sources, mainly books (Vazquez and Trespalacios, 2006), (Diez de Castro and Landa, 1996), (Palomares, 2013), (Palomares, 2009) and (De Juan, 2005), and various notes provided by the Jaume I University through the virtual classroom as chapter 10: 'Merchandising' of distribution channels subject taught by Teresa Vallet.

Then, for the practical part I have resorted first to the website of the company Lidl, at Kantar and Nielsen consultants, online articles of newspaper as 'ABC', 'El País' and 'The Guardian'. As well it has resorted to private professional services companies as a Deloitte which has been obtained the 19th report of Global Powers of Retailers. For the implementation and explanation of paragraphs I proceeded to personally visit the establishment of study, I have made several pictures that can serve as an example of the implementation that uses Lidl in each of the explained points, and I have also resorted back to information provided in its website.

2. THEORETICAL CONTENTS. MERCHANDISING

2.1 Definition of merchandising.

Merchandising activities begin to be observed when free international trade occurs, although some of these techniques and traditional commerce were observed. There is an important change in merchandising when department stores appear, as these represent a new way to make both sales and purchases and many new forms of

marketing techniques in order to achieve greater and even selloff by introducing consumers and department stores that consumers make purchases more products.

With department stores proceed to remove the counters and products happen to be available to consumers in exhibitors and large shelves. In addition, sellers reduce their involvement in the sale and starts to spread the freest commercial sale in which the consumer may carefully choose the products you want to buy. (Palomares, 2009).

Regarding to Díez de Castro and Landa (1996), the merchandising term is of Anglo-Saxon origin, which for years has been incorporated into the commercial language and does not have an accurate translation to Castilian language. You can also see that there are many definitions for this term even though there is not a large amount of literature on this. Some of them are as follows:

According to Díez de Castro and Landa (1996), the **French Academy of Sciences trades** has defined the merchandising as the different marketing techniques that make possible the presentation of the products to the consumer at optimal conditions both material and psychological. On the other hand, the **French Institute of merchandising** defines it as a set of techniques which are put into practice by dealers and manufacturers to increase the profitability obtained at the point of sale as well as the introduction of products in order to constantly update the assortment and to satisfy in this way the needs of consumers and the market. A third definition is one that reflects Masson (1984) which states that merchandising is a set of methods and techniques that are responsible for the product that has a great importance through their presentation and to optimize their profitability. Finally, one of the most widespread definitions on the merchandising term is provided by American Marketing Association (1960) which defines the merchandising as the set of techniques of presentation, turnover and profitability, and the set of point of sale actions giving rise to increasing profitability, these actions are: the positioning of the right product, the number of units of the product, the price that is going to be offered for the product, the moment which refers to the seasonal product or the moment that they decide a purchase and finally the place in which the product will be placed. Díez de Castro and Landa (1996).

2.2 Types of merchandising.

Then, Vazquez and Trespalacios, 2006 and Díez de Castro and Landa, (1996) affirm the existences of three types of merchandising that are used by dealers and manufacturers: the merchandising of presentation, merchandising of seduction and finally the merchandising of management. Three types of merchandising can be defined as those shown in the following table number 1.

Table 1 Definition of the three types of merchandising

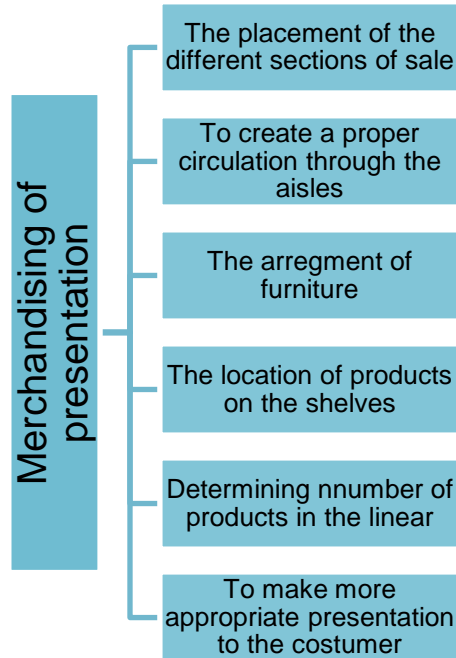
Type of merchandising	Definition
Merchandising of presentation	Internal disposition or the layout that is going to develop in the store or building with the purpose of being able to optimize the circulation of the clients and consumers, it also establishes the structure of the stock and its grouping in families or segments of market
Merchandising persuasion	It is to encourage the establishment of both internally and with external design, in order to make the store more attractive for customers and increase sales, obtain profitability and improve the image of the distributor, among others.
Merchandising Management	It is to make permanent analysis of the product offering of the retail company to increase both profitability and rotation of products at point of sale. For that, research will be addressed to meet consumer study the various actions taken by competitors, to optimize the performance of linear products, manage spaces, analyze the range itself and to establish new references to acquire and others to remove and detect the possible effects that can cause the creation of environments at the point of sale, advertising or promotional material used made on consumer behaviour

Source: Díez de Castro and Landa (1996) and Vázquez and Trespalacios (2006)

2.3. Merchandising of presentation

As well it has been explained in the above table, according to Vázquez and Trespalacios (2006) and Díez de Castro and Landa (1996); the merchandising of presentation refers to the internal disposition or the layout that is going to develop in the store or building with the purpose of being able to optimize the circulation of the clients and consumers, it also establishes the structure of the stock and its grouping in families or segments of market. The following aspects will influence the effectiveness of the success of the merchandising of presentation:

Figure 1: Items of merchandising of presentation

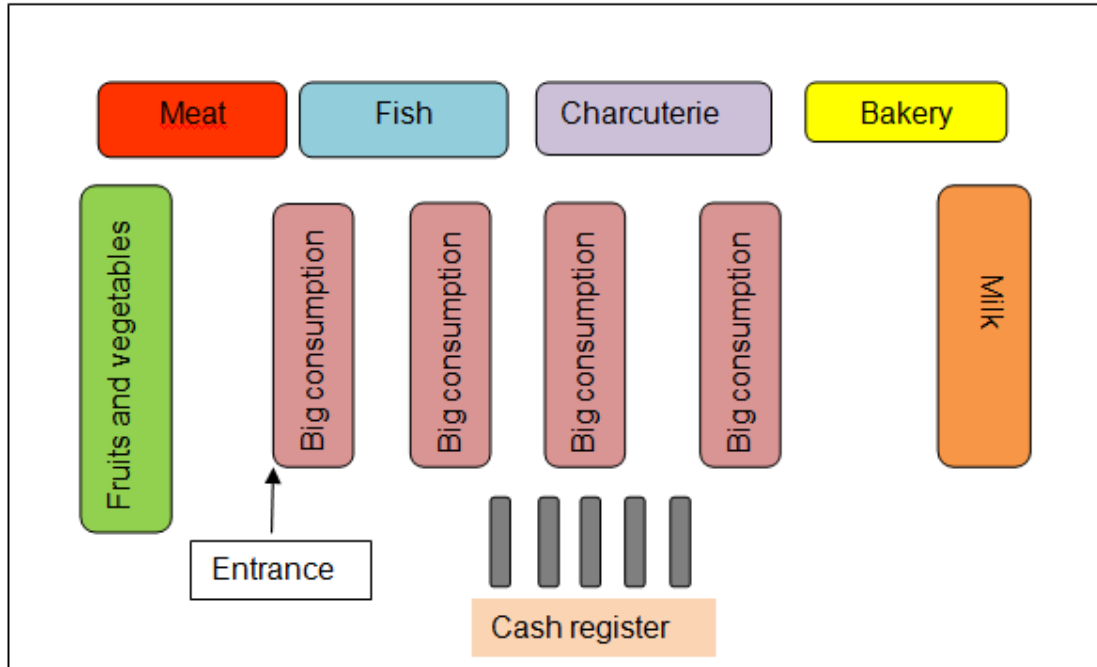


Source: Vázquez and Trespalacios (2006).

The aim of these techniques is to make the best possible presentation of each one of the products and to do it in the best possible way, and in a very visual way. This will make the products more attractive to the consumers and clients at the point of sale (Palomares, 2009).

Let us look at these six aspects in more detail and in figure number 2 we can look at an example of hypothetical distribution in a supermarket:

Figure 2: Example of distribution of a supermarket



Source: Vázquez and Trespalacios (2006).

2.3.1. Placements of the different sections of sale

The first aspect that is considered is the space available in the establishment in order to figure out how to organize each section. The objective of this is that everything has a logical order that can guarantee good direction within the establishment when consumers are making their purchases. In the case of the supermarkets, they are going away to have to make decisions on the location of the tills and the front doors. The determinations of the sections with perishable products, which are great poles of attraction for the consumers, are generally located at the end of the store. Another aspect to consider will be the distribution of the rest of the sections of the establishment, which is based on how the sections, families or subfamilies of food, drink and home products will complement each other. Finally another aspect of the design of the establishment that needs to be considered is the location of the items that are more attractive to the consumers and the promotions. These types of products are strategically placed inside the establishment so that the sections or products stand out.

That is to say, these products are the hook products¹ and they are usually located at the end of the store on islands or in certain aisles so that the client must cross the whole store. Vázquez and Trespalacios (2006).

Then, it also explain the cold spots and hot spots.

Hot spots. They are areas of the establishment that have great sales and high returns (above the average of the establishment). Therefore, in these areas articles that are of interest to sell will be placed although they do not have a higher price, although nor are they of the first need. As a result, hot spots will make an area of attraction for customers. In addition, according to Juan (2005), there are two types of hotspots: natural hot spots and artificial hot spots.

Natural hot spots are determined by the own architecture of the establishment and by the different areas that are close to the waiting places and it also consists of its own furniture.

Artificial hot spots, nevertheless, are points that were initially cold but, by means of the application of certain physical and psychological methods, have tried to achieve a higher profitability of the space. An example is the area of tills since customers are required go through it.

The cold spots are those areas of the establishments that have sales below the average. It is necessary that these points warm up to try to encourage the purchase of products in these locations. Some of the cold spots are low-light areas, dead-end corridors or corners.

2.3.2. Circulation of the corridors.

The circulation of the corridors is a very important aspect within merchandising of presentation. It is necessary to avoid obstacles in the circulation of the consumers, for this reason the corridors must be designed so that they allow easy circulation and access to the different sections of the establishment. An aspect that will be considered, when determining the amplitude of the corridors, is the dimension of the establishment, as more space allows more possibilities to have ample corridors.

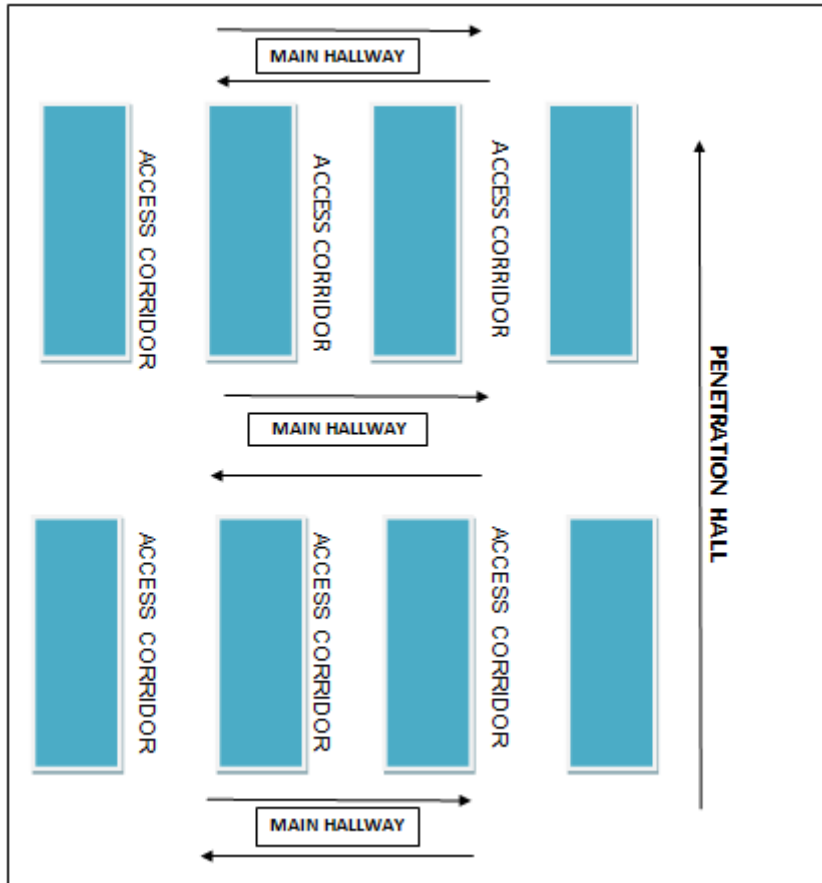
Next, the retail establishments have tried to plan in personal form the layout of the corridors. They have classified the corridors in three types:

¹ Hooks products: They are products that operate as a magnet for consumers. That is why they should be strategically placed at the end of establishment or in a particular hallway or islands, in order to force the consumer to go to the store to look for them. (De Juan, 2005).

- **Corridors of penetration.** These corridors are where the clients enter the establishment and there are usually long corridors of great width. It is less likely to find these corridors in the supermarkets since they need a great width, of about 4.5 meters.
- **Main corridors.** These are usually in the line of tills, in center of the establishment and near the perishable products section. These corridors allow the clients to go quickly from one place to another one in the store easily and they generally allow them to see all of the supplied products in the establishment.
- **Corridors of access.** These corridors are cross-sectioned with the main corridors and their function is to allow the consumers easy access to the main corridors, therefore enabling the consumers to access all sections Vázquez and Trespalacios (2006).

In the following figure number 3, we can be seen the classification of these three types of corridors.

Figure 3: Classification of three types of corridors



Source: Díez de Castro y Landa (1996).

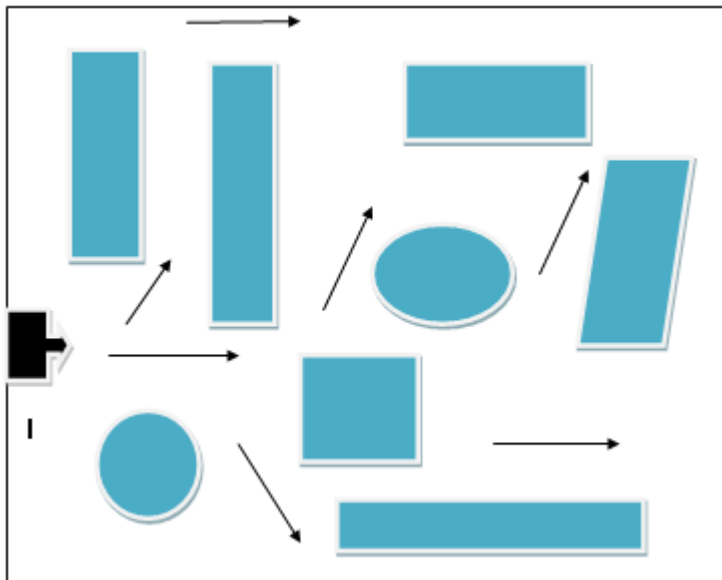
2.3.3. The arrangement of furniture.

The design of the furniture where the different products will be displayed is related to the distribution and design of the corridors. Referring to Vázquez and Trespalacios (2006), there are two different forms to classify the positioning of products.

In the first of these classifications it is specified that four types of disposition of the shelves exist: those of free disposition, those of disposition in grill, the arrangement in spikes or vacuumed and those of disposition in dorsal spike.

The **shelves of free disposition** are distributed in different shapes and heights around the store in an irregular form. It is the form that requires more creativity and is good for consumers to make pleasant and agreeable purchases.

Figure 4: Free disposition



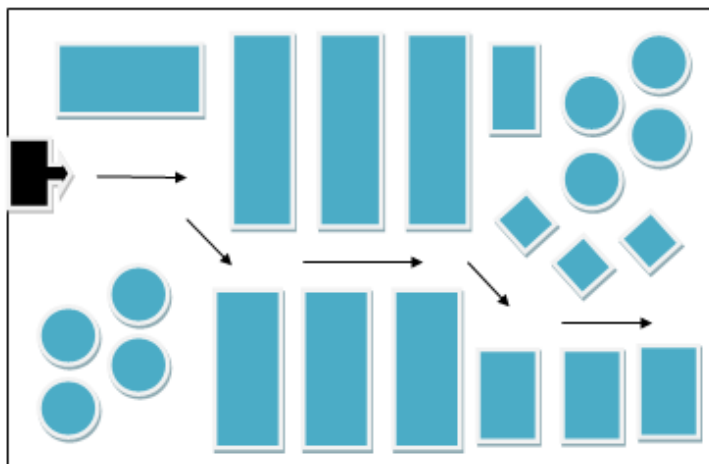
Source: Vázquez and Trespalacios, (2006).

The distribution of the shelves of **disposition in grill** consists of positioning the shelves in a rectilinear way where central and cross-sectional corridors are placed in such a way that it allows the clients great freedom to circulate around the establishment. However, the disadvantage of this type of distribution of the shelves is that it diminishes the probability that the client will cross the whole store and generates a very uniform image of the point of sale. Nevertheless this type of distribution is the most appropriate for supermarkets, non-specialized stores and discount stores.

Source: Vázquez and Trespalacios, (2006).

The disposition in dorsal spike is a distribution that combines the commented dispositions previously, and the creation or design of a main corridor is based on the corridor that crosses the entire establishment. Next to the sides of the main corridor will be the different departments or sections from free disposition, in grill or spike (according to the type of product that it displays). This type of distribution usually is adapted for a large establishment.

Figure 7: The disposition in dorsal spike.

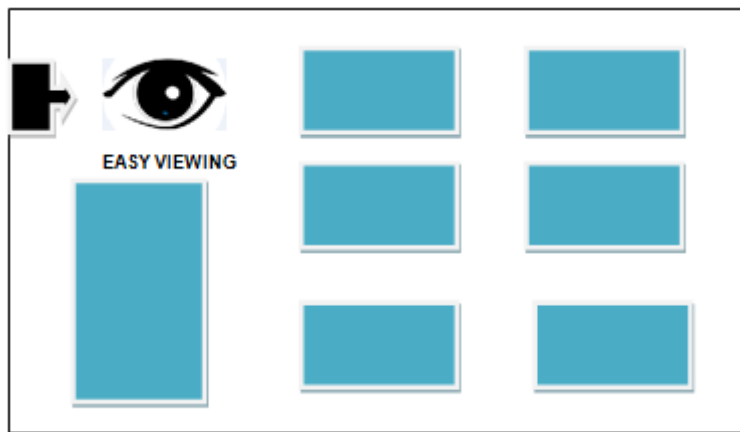


Source: Vázquez and Trespalacios (2006).

Next, the second of the classifications from Vázquez and Trespalacios (2006) say they classify the disposition of the shelves in two other types: open distribution or closed distribution.

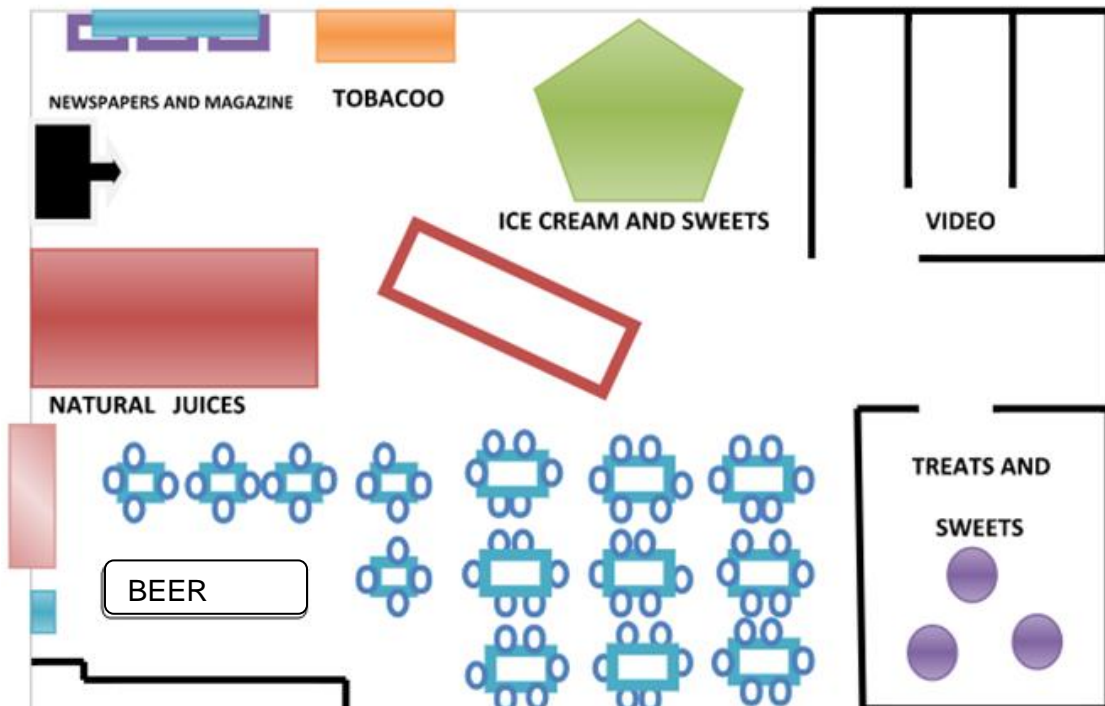
The opened distribution usually creates a diaphanous atmosphere and will be delimited solely by the whole establishment. In figure number 8 it shows an example of open distribution. Whereas the closed distribution, usually characterized by the division of the establishment in sections using walls, exhibitors or shelves, therefore creating its own identity for each one of the sections. Although **the closed distribution** poses a greater cost for the companies, it is most appropriate to facilitate the purchase for the consumer. In the figure number 9 it shows one example of closed distribution.

Figure 8: The opened distribution



Source: Díez de Castro and Landa (1996).

Figure 9: The closed distribution



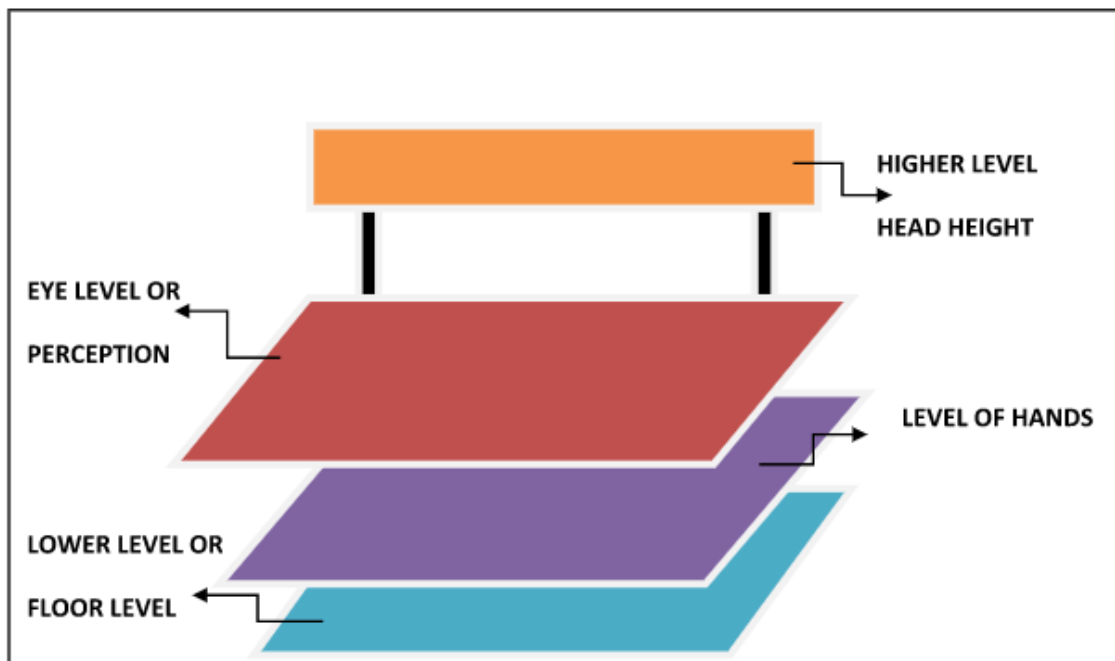
Source: Díez de Castro and Landa (1996).

2.3.4. Location of products on the shelf.

The location of products in the establishments that consumers can help themselves to is usually at the head of each corridor or on different furniture that allows the clients to be able to acquire their desired product.

Next, within the same shelves we can differentiate four clear levels and according to which level the products are on, they will more or less have the possibility of being seen by the clients. In the figure number 10 we can see the different levels.

Figure 10: Shelf levels



Source: Díez de Castro and Landa, (1996).

- Level of superior height at the top: this level is usually used for advertising aims generally or to place showy products, which can be located from a distant spot, and therefore call the attention of the consumer

- Level of eyes or perception: it attracts and usually it retains the attention of the clients and positioning the products in this way creates an interest to approach the shelves. The products that are usually placed in this level are the new products and the branded or the most profitable products.

- Level of hands: it is the level that is more comfortable for the consumers, this is because the products are located at the most suitable height and the clients practically make no effort to acquire these, it is simply enough to extend the arm to take the desired product.

- Inferior Level or level ground: it is the one that requires greater effort from the consumer at the time of acquiring the product. This level is less favored generally due to the effort that has to be made by the client and it is for that reason on this level we usually find the big packages and products with a greater weight, although there are times that some establishments will also usually place a hook product.

Of all these four levels, the one that has the greatest possibility of sale is the one of the height of the hands due to the little effort that it takes for the client to acquire it, followed by the level of the eyes

2.3.5. Number of products in the linear.

Another one of the decisions that the company needs to make is the distribution of products on the shelf. There must be a minimum amount of stock because products are due to attract the interest and the intention of purchase of the client. It is for that reason that at the time of determining the amount of product stock required, the supermarket will have to consider these three aspects:

- The perception threshold. A minimum amount of stock exists which determines the amount of desired stock which is underneath, the client will not get to perceive it and therefore the sale will not be made.

- Characteristic of products and the size of the surface. Sometimes there are articles that are very narrow or very ample and therefore the level of the exhibition can vary. It is possible to add that the bigger the size, the minimum levels of the previously commented threshold can be increased.

- The capacity of inventory in the stock. Based on the speed of which the sales of each product are made, it is necessary to create as much value of joint form in the length of the shelves available such as its depth, and that way products can be renewed and unnecessary product storage or the breakage of inventories can be avoided.

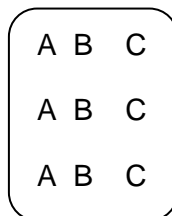
All this point has been done in accord with Vázquez and Trespalacios (2006).

2.3.6. Presentation of products by means of the end of each corridor.

The presentation of diverse products can be made in two different forms:

- Vertical Presentation: This type of product presentation as seen in figure number 11 is based on the positioning of these in all the diverse levels of the shelves. It is generally more appropriate to make a vertical presentation, but sometimes the lack of space that is observed in the linear stock forces them to make a horizontal presentation for the points of sale.

Figure 11: Vertical presentation



Source: own elaboration.

The advantages of the vertical presentation are the following ones: in the first place, it generates a greater visibility of the product because the products are very visible for the clients since generally most of time the movement of the head that the people make is usually horizontal (that is, from left to right or vice versa). Next, it also facilitates the search of products, settles down the product fairness since in principle all the products will have the same probability that they are seen by the clients. It allows to distribute the references based on the looked for objectives and finally, it also usually this distribution is used for the complementary product exhibition.

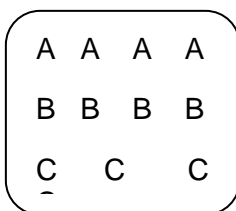
Nevertheless, between the disadvantages of the vertical presentation it emphasizes the diminution of the empty space so that when the products do not have the same dimension they can be found in the idle spaces of the shelves.

- Horizontal Presentation. This presentation is observed well in the figure number 12 which consists of the positioning of products in the same level.

The advantages of using the horizontal presentation are that it allows the consumers to visualize the product for a longer time than in the vertical presentation and it takes better advantage of the space on the shelves.

Nevertheless between the disadvantages of the horizontal presentation they emphasize that there will be some products that did not get to be seen by the consumers since having realized when making most of movements of horizontal form, if they do not fix the glance to all the levels of the shelf it will be difficult to appreciate all products and also to emphasize that it is a type of singsong presentation because on each level of the shelf similar products will be placed. Díez de Castro y Landa, (1996).

Figure 12: Horizontal presentation.



Source: own elaboration.

2.4. The merchandising of persuasion

The merchandising of persuasion consists of animating the establishment of the internal form as much as the outer design, with the purpose of making the shop attractive to the clients and to increase the sales, to obtain yield and to improve the image of the distributor among others. This is reflected visually in the figure

For a correct understanding we are going to study the separated forms of the internal design from the external one. According to the book of Diez de Castro and Landa (1996), the exterior and the interior design are a component that belongs to merchandising presentation, but other authors like Vazquez and Trespalacios, (2006), introduced the exterior design and the interior inside the merchandising of persuasion. In this case we have classified as Vazquez and Trespalacios, (2006).

2.4.1 External Design:

Inside the exterior design will address the following aspects: the facade, the sign, the showcase of the establishment and finally the entrance.

2.4.1.1. The facade.

This is the first thing that the consumer is going to see when arriving at the establishment and will serve to create their first impression. This is precisely why it is recommendable that it is always well maintained and cleans. In the case of the supermarkets, the design of the facade must be similar in the different points of sale without considering the zone in which they are, so this way a global image of the company can be made.

2.4.1.2. The label.

The label is what is going to serve to identify to the retail by means of a certain name and a specific logo that will allow it to be different from the rest of the competitors. Generally the label is usually luminous and is located in places in which the vision of the public objective of the company is easily seen. It is important that the label has the same style and agrees with the facade of the establishment. Finally, to ensure it differentiates itself from the rest of its competitors it is necessary that the design of the label is creative, easy to remember for the consumers, and uses a certain font and colour.

2.4.1.3. The showcase.

This is one of the elements that are considered to be the key in calling the attention of the clients although the importance of this will depend on the commercial aim of the premises or establishment. For example the showcase will be of great importance for specialized stores but it is less important for establishments of self-service like in small or large supermarkets. Within the showcases we must differentiate between open showcases and the closed ones.

The open showcases allow the different consumers to observe the interior of the establishment making the showcase like an extra point of sale. Whereas the closed

showcases have an end which limits the vision of the consumer, preventing them from observing the interior of the store. This second type of showcase usually has a greater cost but it allows the creation of different specific atmospheres. Vázquez and Trespalacios, (2006).

Next, according to Diez de Castro y Landa, (1996), not all the zones of the showcase have the same impact on the consumers.

Therefore, it is also possible to split the shop window vertically into three zones, the left side, middle and right. Each one of these zones will have an impact on the consumer and therefore it will be necessary to study at great length what products to place in each one of these zones. Moreover, the best area to place products is the low zone since it is the one that presents/displays a greater percentage of attention for the consumers, followed by the medium zone and finishing with the tall zone. Also it is possible to divide the showcase of vertical form in which also one will divide the showcase in three zones, zone left, the middle and the right. Moreover, the best area to place the products that are to gain attention is central because it is the one with greater attention to consumers that pass in front of the window.

2.4.1.4. Entrance or access to the establishment.

The last aspect that we are going to deal with from the outer design is the entrance to the establishment. The access must urge the consumer to enter the store, and in no case must it prevent it. It is for that reason that, generally, transparent glass doors are used so that they allow the observation of the interior of the store and it is advised that these are of easy opening, and that they are wide so that a simple form can be acceded. It is for that reason that in numerous establishments doors that are opened by means of movement sensor are used so that the client does not have to make an effort to enter the establishment. (Vázquez and Trespalacios, 2006).

2.4.2. Inner design of the establishment.

Next, I am going to continue to detail some of the variables of the internal design of the establishment since every detail must count with a certain animation and the creation of stimuli towards the consumer focuses to animate the purchase of these within the establishment. The average employees are diverse to animate the store. It is for that reason that we are going to detail the physical means of presentation of the product, psychological means, means of stimulus and finally the personal means. (Vázquez and Trespalacios, 2006).

2.4.2.1. Physical means for the presentation of the product.

These are diverse physical means that the companies use in their establishments. Some examples are:

A) **Heads of the gondolas.** Normally they are of temporary character and the exhibition of a product in a head of a gondola has a cost that is established by the establishment in which it wants to expose. In addition, the products that usually are exposed in the heads of the gondolas are products in promotion that are generally of great demand so that they are able to compensate so much the cost that causes its location in the gondola head and his reduction of the margin that causes with a promotion made on the product.

B) **Islands.** The presentation by means of islands consists of a massive and isolated presentation of products. Therefore, this product will be placed or products outside of the linear one and without contact with other products, that is to say, are located in isolated form. Generally the form of positioning of products in an island is made directly in the ground or on a support like a pallet. It is of great importance the positioning of the moved away islands from the section in which the product is located and in a hot zone of the point of sale.

C) **Pillars** The pillars are a form of massive presentation that consists of presenting/displaying the product in the same section when arriving to be a part of the linear one, but can solely be made with products which, although they are piled up, do not deteriorate like for example the milk boxes, the detergents etc. At the time of making the different pillars it is necessary to consider the accessibility that it will have for the consumers approval when the products are withdrawn. The product pillars attract the consumption of the clients creating good sensations on products and a reduced price.

D) **Disordered containers.** These are a massive presentation of products in containers or baskets and are located, also of disordered form, but in a certain design to be able to locate them. The advantage of this type of presentation is that the clients resemble this method with a reduction of the price of the product but it is necessary to make sure that the products exposed in the establishment in this way do not deteriorate easily and as disadvantage proves evident the difficulty that the client can gain access to the product is easy form. This type of presentation is recommended that it does not last for a long period of time. (Díez de Castro and Landa, 1996).

E) **Specific packing** which when placing them in the establishment in a certain way, allows to be placed in the establishment like exhibitors of the products that entail.

F) **Metallic hooks or supports** that are usually fixed in the expository furniture and are going to allow to expose diverse products that require an adapted package to the support. For example these types of metallic supports are used for the exhibition of batteries, light bulbs, plugs, ball-point pens etc, and allow a better vision for the consumer of these types of products. (Vázquez R., and Trespalacios J.A., 2006).

In the following figure nº ? We can observe each one of the commented types of presentation.

2.4.2.2. Psychological Media.

This section is where you will start including promotions and advertising that is done at the point of sale.

As for advertising in the point of sale (POS), it is of great importance since it encourages consumers to make purchases of these products, it is not necessary to have a high cost; it is able to enhance the image of the retailers and is very helpful to provide information to consumers. However, its disadvantages include that overused products can provoke a saturation in the consumer. It is directed towards people who are on site and also observed is an absence in the selectivity of the public objective.

The posters are the material of the POS and are necessary to stand out. We can distinguish different types of posters:

a) **Signs fresheners.** These are the ones that put something in mind to the consumer and make them remember but do not offer any particular product.

b) **Indicator signs,** these are those that generally serve to guide customers within the facility and on this poster information on the different sections of the store or promotions will be established.

c) **Signs of price.** These posters are used to determine the price of a specific product. It is these that generally more consumers are fixed on because of product price reports and they allow you to compare the different prices of products by brand or quantity.

Moreover, it will also be necessary to make certain designs and consider the following aspects regarding the posters:

a) The placement of the posters. The posters aimed at creating environment should be put at ceiling level to be easily visible by consumers from afar. Then, at the intermediate level or at the height of the shelves it is recommended that the indicator signs be placed. At the height or level at which you found the product it will be advisable to place signs that report the price of each product.

b) Form of the signs. There are numerous ways in which we can find the posters on the premises, but the most common are the posters in rectangular, square, circular or arrow shaped.

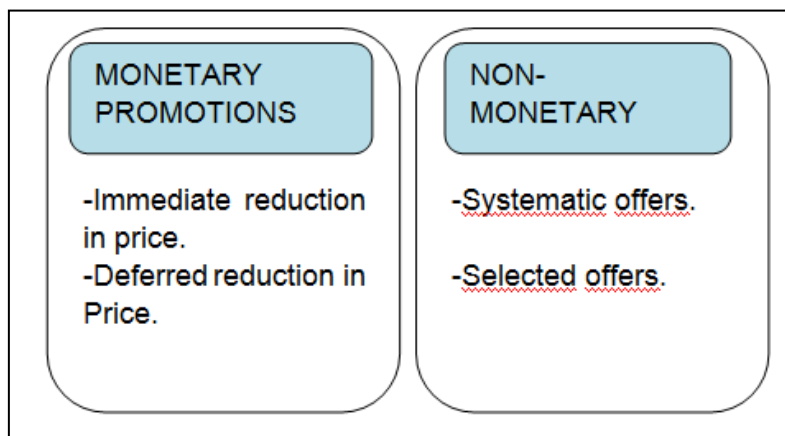
c) Combination of different colors in the posters. It is advisable to use a color poster for framing, other than to provide product information and a different one to set the price. Thus it can attract more consumer attention.

d) Characteristics about the information the posters have. It is important to print the numbers and letters with a thick line so they can stand out, especially on posters that indicate the price of the products. It is also important that the texts that appear on posters are short so they can easily attract the attention of customers from different areas of the store. (Vazquez and Trespalacios, 2006).

On the other hand we should talk about promotions which are to be divided between promotions carried out by manufacturers and those carried out by dealers.

Promotions focused on the final consumer are presented at the point of sale and we can find two types of promotions, monetary and non-monetary. In currency we can differentiate between immediate price reductions and deferred price reductions, and on the other hand, in non-monetary promotions we can distinguish between systematic and selected offers and deals. This classification can be seen in figure number

Figure 13: Promotions made by the manufacturer



Source: Vázquez and Trespalacios, (2006).

First, as for monetary promotions, they are often of great importance since the price is the factor that is usually more important for consumers when making purchases and temporary price reduction is the most effective technique.

In monetary promotions, we find the immediate price reduction and the deferred. The immediate reductions are the actions in which the consumer receives a promotion in the price at the same time as making the purchase. This technique is generally the most widely used because it is attractive to consumers, is easy and quick to implement. Some of the actions taken in this type of promotion are:

- Reductions in the price for a specified period.
- Price reductions caused by specific events (sales, liquidations)
- For terms of specific payment (deferred payment without interest, with interest).
- For the used goods delivery in the acquisition of new products (car exchange plan).

However deferred reduction is made later in the purchase using discount vouchers or coupons that are redeemable on future purchases. We must ensure that the delivery of coupons and promotional codes offer consumers an attractive benefit to encourage the purchase of these products. Refunds are also deferred price reductions. These consist, in the delivery to the buyer, of an amount of money caused by the purchase of a particular product. Programs usually offer refunds for the first purchase of a new product in the company to attract consumer purchase, it returns the money spent on the first purchase of a particular product. Although other reimbursements, such as the specific refund that creates a partnership between retail companies to offer discounts on other goods that they do not normally sell because they are in high demand by consumers, such as discounts in fuel or free parking in certain parking lots. (Vazquez and Trespalacios, 2006)

Moreover, regarding non-monetary promotions, deals are systematic and selective offers.

In systematic offers the same promotion is offered to all buyers. Examples include the offer of an additional product which consists of buying, for the same price, a product where a larger amount of the product is being offered. Another example is grouped sales that consist of the union of several products in a batch so that the acquisition of

the lot is cheaper than buying the products in the batch separately. It is also often used to give samples to consumers to test a product, or quite also it resorts to the direct premiums that consist of the delivery of an object or product at the time of purchase that is not necessarily related to the purchased product.

Finally, in the selective offers, they will try to motivate the buyer by the securing of possible prizes or gifts. All consumers cannot purchase prizes but they can be obtained by means of promotional contests, this allows consumers to demonstrate their skills and knowledge on certain topics, in which the winners get prizes, or through promotional games, where the choice of the winner will take place by chance. (Vázquez and Trespalacios, 2006).

Then, the second type of promotions to try is the **promotions that is carried out at the point of sale**. These promotions are made by the distribution companies. According to Díez de Castro y Landa (1996), the objectives of these promotions are to increase sales, to reach new customers, obtain greater profitability, reduce stocks, compete with the rest of establishments and to provide to the company a certain image. On the other hand, the main reasons for promotions at the point of sale are that, to the consumers, they seem attractive and that it takes very little time to put them into practice.

Díez de Castro y Landa (1996), claim that they can be divided in three ways the promotions at the point of sale: price promotions, promotions without price and finally the promotions made by openings or anniversaries.

The promotions of price performed at the point of sale are usually the most effective way to ensure that consumers go to the point of sale. Usually to get the promotions to the consumers, the distribution companies resort to different means of communication.

Powerful companies resort most of the time to press, radio or television and also resort to direct marketing by means of brochures and catalogues. The offers carried out on the prices in the powerful companies, can be applied both to an article in particular as well as in a set of them. It is important that the duration of the promotions is not over a period of time (generally they tend to be between 7 and 15 days). Also to be noted is that the majority of promotions usually rely on an extensive set of references with offer and it will be important that some of them are the leading brands so that they generate a greater attraction to consumers, but most of the promoted products tend to be the own brand of the distributor in order to achieve to increase the profitability of these. The

chains that have a minor importance also follow more or less these principles but offer fewer products with promotions.

In second place we find **promotions without price**, which rely on delivery of vouchers, discount coupons or deferred gifts, games or contests or samples to consumers. The vouchers used are redeemable gift certificates at the point of sale by a certain gift or a voucher for future purchases; they are delivered either in the customers home or in areas around settlements. With discount coupons or deferred gifts it consists in the delivery to customers of coupons that will allow them to reduce the amount of their next purchases. The amount of vouchers tends to vary depending on the amount of purchases made by the consumer, a greater amount means a greater amount of discount per coupon. Then, the games, sweepstakes and contests, are intended to encourage the establishment and to increase customer purchases. Usually when the purchase is made of certain products or any purchase is made (this distributor will determine it), the consumer is offered the opportunity to participate in sweepstakes or contests. Finally, with the samples, it aims both to attract new customers and to build loyalty with those who already have it. In the vast majority of cases, samples of new products are offered so that consumers will know them prior to the purchase of these.

Thirdly, we find the **opening or anniversary promotions**, which according to Díez de Castro and Landa (1996), these must be more attractive than the above for customers, offering them greater rewards and thus achieving a big diffusion among these. Therefore this type of promotion is a great cost since it needs both the collaboration of firms that already sell products in that establishment, but it is also common that collaborating companies are engaged in other activities. An example would be the draw at a hypermarket of a car. They do not usually tend to sell cars in a hypermarket but exceptionally because of their inauguration they have decided to bypass a car among consumers.

2.4.2.3. Stimulus means.

Animation property using the stimulus means is divided into two groups: the audiovisual means and the creation of environments.

a) The audiovisual means is a technique of stimulus which are usually used in supermarkets and shopping centers. This is because the visual means wake up in the consumer the effects of the model AIDA (attraction, interest, desire and action) (Díez and Martin, 1993). According to this model, you must create a message that obtains the objectives of drawing the consumers' attention, manages their attention, creates a desire to purchase or acquire and eventually causes the action of purchase.

b) Creating environments or atmospheres is one of the ways in which more creativity can be presented in animation at the point of sale. Consumers perceive the atmosphere through the senses, smell, sight, hearing and touch. Therefore the colors, the smell, music and decor establishments determine the atmosphere and consumers will have a perception or another, depending on the establishment of the elements that are used to acclimate the store. Many leading companies in distribution often create certain environments. Especially they create environments for seasons, by periods (Christmas, Easter, Halloween), for celebrations (Valentine's Day, Father's Day, Mother's Day). The creation of different environments of the establishment will require distribution changes made in the spaces, the acquisition of new sets, to add specifically some new references of products according to the animation you wish to offer, use of audiovisual means, etc. (Díez de Castro and Landa, 1996).

2.4.2.4. Personal means.

In this section we will detail the four most common types: the selling personnel, the animation at point of sale personnel, the shows and finally the demonstration stands and tasting products.

a) Selling personnel. It is very important that staff will take care of making the sale on site, be kind and provide good customer service because it is one of the most important factors that they have to animate the point of sale.

b) The animation at point of sale personnel. We can distinguish two types: characters or hostesses. The use of characters as a means of animation is to use a certain character that has the function of encouraging the store for example to make a record company or books by their authors or singers, realizations of exhibitions, animation by cartoon characters, etc. As for the hostesses, to emphasize that it is the personal means that is most often used. The purpose of the hostesses is to provoke buying a product by tasting a certain product or demonstration of its operation.

c) Entertainment. In certain establishments sporadically shows are performed at the point of sale by singers, mimes, storytellers, etc., which will also try to encourage the point of sale.

d) The demonstration and tasting stands. These stands are intended to raise awareness of the different products to your customers, as well as perform a demonstration of the same inside the point of sale, to try to carry out the purchase. (Díez de Castro and Landa, 1996).

Finally, to conclude the point of merchandising of persuasion, it is noted that for different establishments they must use, of complementarily form, each of the techniques and methods detailed above to get more sales, attract more customers and get higher returns.

2.5. Process consumer shopping and purchasing decisions.

At this point, it is to be treated according to the buying consumer behavior, and the process of purchasing decision of the consumer.

Regarding different buying as consumer behavior, according Palomares, (2013), consumers behave differently when purchasing the products by type of product or service in question. In this section you will proceed to study the criteria on which distribution strategies and organization on the commercial area are based.

Depending on which type of purchase is to be made more or less complex or doubt in making decision to choose a particular product will be observed. That is why it has made a classification of types of consumer buying based on:

- The types of products: needed products and desired products.
- The types of purchases: planned or unplanned.

As Palomares, (2013) says, several studies claim that self-service stores, 22% of sales are planned and, instead, the remaining 78% unplanned. With this information it can determine the great importance of merchandising techniques used in the various establishments.

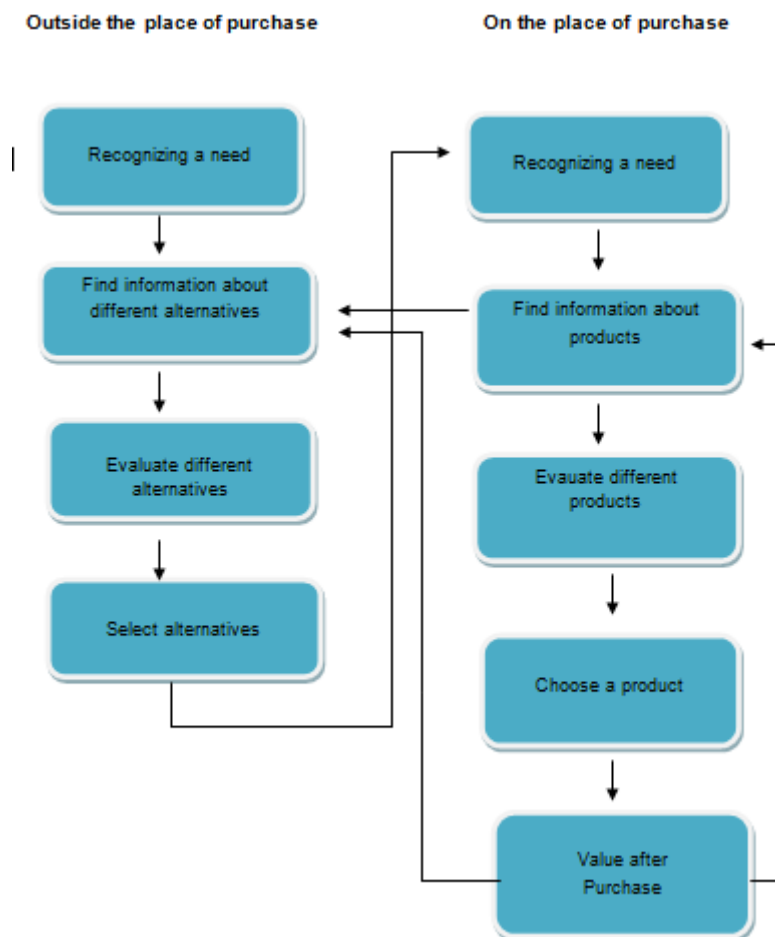
Concerning the necessary products are a key factors in distributing them on site. These products correspond to the items which satisfy basic needs of consumers. That is why generally located at the end of the establishments in order to create long circulation flows on clients, because to get to acquire these products will have to go almost throughout, thereby enabling to observe the rest articles and encouraging the purchase of products of unplanned purchase.

On the other hand, the desired products are goods that satisfy the secondary deficiencies. These items are advisable to place them in areas where the consumer has an easy vision, usually on the road that leads to the necessary products.

Thirdly we focus on planned purchases. These purchases are those that in advance to make the purchase had already intended to do it that is which have in mind or on the shopping list.

Finally we find the unplanned purchases, these are those done on impulse. To do this the establishments try to design routes directed and put these products in highly visible places in order to wake consumer interest and make them decide to acquire, without need for advance purchase.

Figure 14: The buying process



Source: De Juan, (2005).

Then, as we can see in the Figure number 14, the buying process begins **outside the place of purchase** through recognition of an unmet need which may be motivated by external factors or by the internal. Once the need is recognized, the consumer will proceed to search for information about which product you can buy and where to meet that need. The third step made by consumers is the evaluation of different alternatives on the different places in which they can acquire them, and finally they select which they prefer to make their purchase. After selecting the appropriate place begins the process **within the place of purchase**. Through the visit to establishments,

consumers can alter their needs and may have additional requirements. Once they have evaluated the alternatives, customers shall decide whether they make the purchase in that establishment or if they are going to visit a different one for more information. Finally, consumers will proceed to purchase the product, use it and then decide whether it meets their needs or not.

This whole process of purchase is focused on the physical visit by the consumers to stores, but many consumers also rely on catalogues, telephone and computers to do their shopping. In addition it can also be highlighted that not all consumers will proceed to carry out all stages of the purchasing process detailed above since there are situations where they will use their time to select a particular establishment, seek information and evaluate different products, but other purchasing decisions will be carried out automatically.

According to Juan, (2005), there are three types of process in decision making: decision-making on common purchases, an extended problem resolution and finally the limited problem resolution.

In the following table number 2, I will proceed to explain what each one is.?

Table 2: Types of process in decision making

PROCESS TYPE	DEFINITION
Common decision making	For this decision you do not need to collect information and evaluate products since it relates to the acquisition of daily products bought.
Decision of extended problem	When consumers go to purchase a product or service that meets a more important need or when they have little knowledge about the product, they need to take more time to make a decision since this will result in the assumption of a risk and therefore they will take more time to make the decision, seek information, and will proceed to evaluate different alternatives. So consumers will resort to find information both with friends,

	relatives or experts and even visit different stores before making a certain decision of purchase.
Limited problem	This type of problem occurs when the consumer already has previous experience with the store, brand or product and the risk they are having to take is moderate. In these cases the consumer trusts more in his own experience than in the external information that they receive.

Source: De Juan, (2005).

2.6. Types of self-service retail establishments

According to Vazquez and Trespalacios (2006), self-service sale is based on the buyers themselves choose and purchase desired products and making the final payment enabled in the cash register at the end the establishment. The main features of this type of sale are lack of staff responsible for carrying out the sale at the counters. Normally, products are grouped into different sections to facilitate consumer purchase. Another feature is that the client can run on the point of sale freely and can be used carts or baskets to place the products are acquired. At the end of the buying process, payment of the products is carried in the box, achieving with all of this increases in profitability and revenue and cost reductions.

Within this type of sale we can distinguish between different types of retailers:

- **Self-service**. Establishment where the purchase is made autonomously, that is personally acquiring desired products, although there are certain sections such as charcuterie or greengrocer which sometimes have a desk and a seller. It has dimensions of between 40 and 119 square meters and has only an outlet cash register. These establishments usually offer mostly food products and beverages, have a limited range and often included frozen sections, drugstore and cleaning products.
- **Supermarket**. They are establishments with more than self-service surface. There are two types: small supermarkets which have between 120 and 1000 square meters and 2

to 4 outlet cash registers; and large supermarkets, which have dimensions of between 1000 and 2499 square meters and have 5 or more cash registers. In this type of establishment, the best sellers products are food products, beverages, cleaning and household products, but also usually offer a variety of other products such as stationery, small appliances, gardening, etc.

- Hypermarket.** Area of at least 2500 square meters in which are offered food and non-food products such as clothing, shoes, home, leisure, personal hygiene, etc. They are large areas that have a large assortment of products with a wide depth. These establishments also have an ample program of advertising and promotion that will appeal to the masses.

- Discount store.** They are establishments that usually offer fewer items but they do it with the lowest possible price. To offer consumers the minimum price, these establishments may minimize the costs of both personnel and advertising or investment, are based on providing everyday products that is large rotations. Later in the practical part of this document it will deepen a little more about the discounters.

- Convenience store.** They are establishments that either are open 24 hours a day or open almost all day, offering food products, beverages, stationery, perfumes, gifts, etc. They usually have a high price due to the comfort that offer to their consumers and are normally placed at gas stations or airports. An example of this type of establishment is Supercor or 7-Eleven.

(Vázquez and Trespalacios,2006).

PRACTICAL PART

3. SUPERMARKETS IN SPAIN

A supermarket is a commercial establishment with a surface, as well we have discussed, of between 120 and 1000 square meters if it is a small supermarket, and between 1000-2499 square meters if it is a large supermarket. Supermarkets offer consumer goods such as food, toiletries, perfumes and cleaning. These types of stores tend generally to be part of a franchise chain in the form, which can have several establishments in the same city or country. Generally supermarkets offer low cost products and try to generate profits by generating large volumes of sales as they often get reduced margins in selling their products.

According to the article published on April 25, 2012 in the blog of the newspaper '20 minutes', selling in Spain in large areas began in our country during the 40s through department stores such as 'Galerías Preciado' or 'El Corte Inglés'. Nevertheless, Spain continued to be a country where food supplies still took place on traditional trades.

It was in 1957 when Alberto Ullastres, who was Minister of Trade, launched the "supermarket Operation", which consisted of a development plan in which by the Commissioner General of Supplies and Transport (CAT) are promoted in the country self service networks of public capital that helped to produce modernization at commerce.

It was in October of that year when the opening occurs in the market Barceló in Madrid of an experimental supermarket managed from the Spanish government. Due to the success of this first supermarket, the next public supermarket in that network was inaugurated on 7 August 1958 in the Gran Kursaal building in San Sebastián and soon after others are being opened in Bilbao, Zaragoza, Gijon, La Coruna, etcetera.

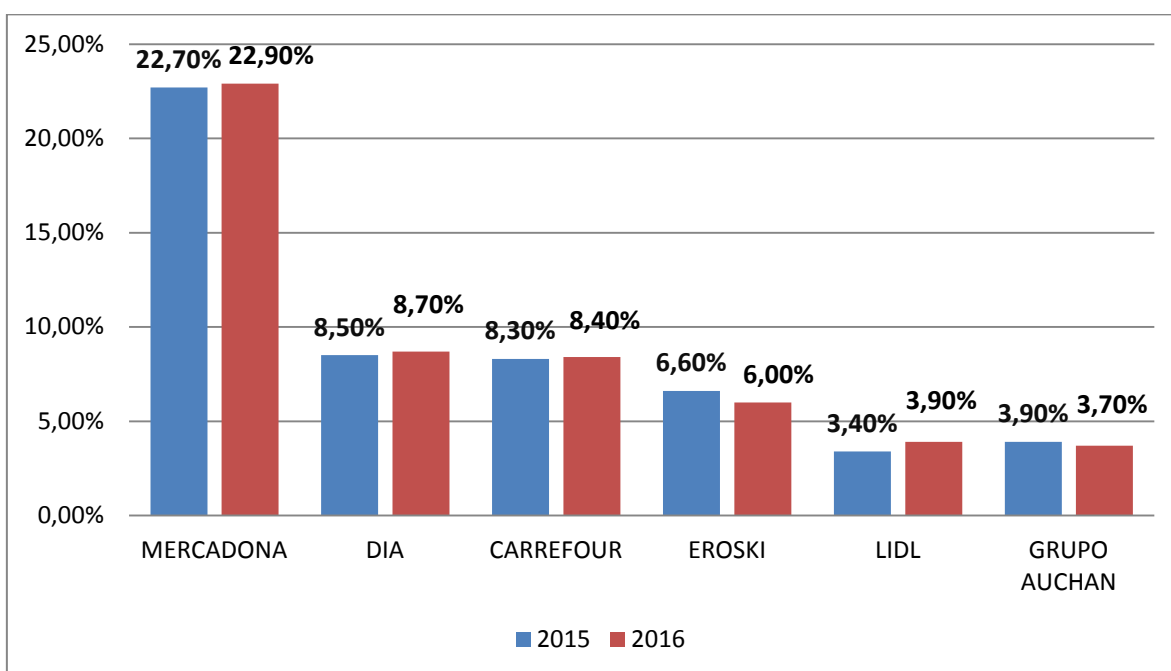
It is a year later, on July 11, 1959 when there was the inauguration on the street Sant Antoni Maria Claret 318, Barcelona, which can be considered as the first supermarket of private capital in Spain. The first supermarket was founded by Carbo family, the Prat family and Botet family and that is how the name Caprabo supermarket came up.

Over the years the supermarkets of public character were disappearing and were created an extensive network of private self-service shops.

The modernization of the economy that has been observed in Spain and modernization also of the way in which the products are distributed, have caused great changes in the food trade in Spain. This is reflected in the number of traditional stores, which over the years have decreased from having more than 93,000 in 2014 to be little more than 23,000. All this has been because of nowadays the Spanish population does most of their shopping in supermarkets and large retailers and generally is no longer as loyal to its traditional shops. According to information provided by **Nielsen**, it has gone from 1,622 supermarkets in Spain in 1985 to 18,527 in 2014.

Conforming to the consultancy **Kantar Worldpanel**, after the completion of a study published on November 24, 2015, these have been the market share obtained in 2015 where can be compared with those of 2014 and of whom we can also get which supermarkets have been that have presented higher growth in its market share in the last year.

Figure 15: Market shares of the leading distribution groups in Spain.



Source: Kantar Worldpanel.

As you can see by the above graph of Kantar Worldpanel, in which the six main distribution groups of Spain, Lidl is the group that from 22 March 2015 until 27 March 2016, has presented further growth of its market share. Lidl chain is able to attract more new buyers and achieves 0.5 points increase its market share up to reach 3.9% of market share.

Anyway, Mercadona continues to be the leader of food distribution with a market share of 22.9% on March 27, 2016.

Taken together, these six main groups represent a 53.6% of the country's market share in food, household and healthcare until 27 March 2016. Therefore, it is increasingly evident that the distribution of Spain is becoming increasingly concentrated in large groups and, in fact, year after year it goes observing that the whole sector continues to grow through the specialist channel.

At the end of the document in the annexes is located the exact graph obtained on the website of Kantar Worldpanel.

3.1. The discount supermarkets.

As we discussed previously, the discount supermarkets consist of establishments which represent a lower number of references of its articles but usually offer the products of the establishment at less than the price of supermarkets. In addition to the

aforesaid, we can appreciate that there are two types of discount: the hard discount and soft discount. The hard discount refers to small establishments (between 350 and 600 square meters) which do not have many references; they have their quite low prices and largely offer own brands. Moreover, the soft discount includes a greater amount of references and, apart from the own brands, also offers manufacturer brands and are often located in urban areas. An example of this type of discount is the “Día” supermarkets.

In the book Vazquez and Trespalacios (2006), there is an article Distributive and present, nº360, from 16 to 31 May 2005 that talks about the growth of discount supermarkets. This document speaks first of all about the origins of the discount market which was seen first in Germany for more than a half century and then was developed in other countries such as France, Italy and Spain. Currently, the discount supermarkets have increasingly become more important and are one of the most dynamic modes of modern distribution, which has been so successful because of the low prices offered to consumers.

The first discount supermarket of Spain was Day, which represents the majority of discount supermarkets in Spain. The second place in the Spanish commerce is occupied by Lidl. Lidl, as has been spoken before, is the chain that is gaining more growth in its market share in recent years. Finally, another dominant discount chain in Spain is Aldi.

4. ANALYSIS AND INTRODUCTION OF LIDL.

The group Lidl is a German discount supermarket company that is present in the Spanish territory since 1994. But its origins date back to 1930, its founder was Joseph Schwarz. It was during the 80s when the German company began to spread through the German city of Ludwigshafen and in the 90s began its expansion in Europe rising to become leader of the discount sector in a few years.

The first Lidl supermarket which opened in Spain in 1994 was in Lleida. Since then it has been observed that the adaptation process has had Lidl, because, despite being a discount supermarket, has been adding products to its assortment to satisfy consumers to empower their range and image.

In 1994 Lidl had about 600 or 700 references within their establishments, but nowadays, due to the incorporation of new products such as fruits and vegetables, the frozen, fresh meat, bread and fish has gone to have about 1,600 references (more

than double). Although in Spain grew permanently, until 2003 the group had losses in Spain, but this year achieved its first positive result of 13.3 million euros (El País, 2013). Lidl belongs to the Schwarz group which is one of the largest distribution groups in the world. This can be appreciated by the results reflected in the report 'Global Powers of Retailing'² in which the top 250 retail companies in the world are identified in fiscal year 2014 that alludes to companies that closed their exercises in June 2015. In this ranking it proceeds to analyze the yield that these retail companies have obtained depending on several factors such as geographic region, e-commerce or products of the primary sector. In this ranking, the Schwarz group is in the fourth position. Therefore, it is the fourth largest retailer in the world. This can be seen in the image number 16. Furthermore it is important to highlight that within the discount supermarket sector is the first worldwide, remaining above its direct competitors in the national market as are Aldi which is situated at No. 7 and can be seen in the same image as the position of the Schwarz group, and DIA which has the number 96 position which can also be seen in the image number 17.

Figure 16: Ranking of Global Powers of Retailers. (Lidl and Aldi)

Top 250 retailers

Retail revenue rank FY2014	Name of company	Country of origin	FY2014 retail revenue (US\$M)	FY2014 parent company/ group revenue ¹ (US\$M)	FY2014 parent company/ group net income ¹ (US\$M)	Dominant operational format FY2014	# countries of operation FY2014	FY2009-2014 retail revenue CAGR ²
1	Wal-Mart Stores Inc.	US	485,651	485,651	17,099	Hypermarket/Supercenter/Superstore	28	3.5%
2	Costco Wholesale Corporation	US	112,640	112,640	2,088	Cash & Carry/Warehouse Club	10	9.5%
3	The Kroger Co.	US	108,465	108,465	1,747	Supermarket	1	7.2%
4	Schwarz Unternehmenstreuhand KG	Germany	102,694*	102,694*	n/a	Discount Store	26	7.7%
5	Tesco PLC	UK	99,713	101,380	-9,385	Hypermarket/Supercenter/Superstore	13	1.8%
6	Carrefour S.A.	France	98,497	101,450	1,817	Hypermarket/Supercenter/Superstore	34	-2.8%
7	Aldi Einkauf GmbH & Co. oHG	Germany	86,470*	86,470*	n/a	Discount Store	17	6.8%
8	Metro Ag	Germany	85,570	85,570	247	Cash & Carry/Warehouse Club	32	-0.8%
9	The Home Depot Inc.	US	83,176	83,176	6,345	Home Improvement	4	4.7%
10	Walgreen Co. (now Walgreens Boots Alliance Inc.)	US	76,392	76,392	2,031	Drug Store/Pharmacy	2	3.8%
11	Target Corporation	US	72,618	72,618	-1,636	Discount Department Store	1	2.7%
12	Amazon.com Inc.	US	70,080	88,988	-241	Non-store	14	25.8%
13	Groupe Auchan SA	France	69,622	71,056	1,046	Hypermarket/Supercenter/Superstore	13	6.2%

Source: Web of Deloitte.

² The Global Powers of Retailers is a report in Deloitte. Deloitte is a private firm that is very important worldwide, which has large volumes of billing and overall level offers consulting services, charges, a legal advice, financial advice and auditing professional services.

Figure 17: Rankinf of Global Powers of Retailing (DIA)

Top 250 retailers

Retail revenue rank FY2014	Name of company	Country of origin	FY2014 retail revenue (US\$M)	FY2014 parent company/ group revenue ¹ (US\$M)	FY2014 parent company/ group net income ¹ (US\$M)	Dominant operational format FY2014	# countries of operation FY2014	FY2009-2014 retail revenue CAGR ²
83	Louis Delhaize S.A.	Belgium	11,685*	14,755*	n/a	Hypermarket/Supercenter/Superstore	5	-3.4%
84	Spar Holding AG	Austria	11,591**	11,686**	224	Supermarket	8	1.8%
85	Staples Inc.	US	11,585*	22,492	135	Other Specialty	12	-1.8%
86	E-MART Inc.	S. Korea	11,576	12,496	277	Hypermarket/Supercenter/Superstore	2	ne
87	Isetan Mitsukoshi Holdings Ltd.	Japan	11,513	11,576	272	Department Store	8	0.1%
88	Southeastern Grocers, LLC (formerly BI-LO Holding LLC)	US	11,500*	11,500*	n/a	Supermarket	1	36.0%
89	L Brands Inc.	US	11,454**	11,454**	1,042	Apparel/Footwear Specialty	60	5.8%
90	CP ALL Public Company Limited	Thailand	11,436**	11,436**	316	Convenience/Forecourt Store	1	26.4%
91	Ross Stores Inc.	US	11,042	11,042	925	Apparel/Footwear Specialty	1	9.0%
92	Dairy Farm International Holdings Limited	Hong Kong	11,008	11,008	508	Supermarket	11	9.4%
93	NorgesGruppen ASA	Norway	10,996**	11,373**	307	Discount Store	1	6.2%
94	Déathlon S.A. (formerly Oxylane Groupe)	France	10,900	10,900	n/a	Other Specialty	22	8.6%
95	Metro Inc.	Canada	10,715**	10,715**	422	Supermarket	1	0.7%
96	Distribuidora Internacional de Alimentación S.A. (Dia, S.A.)	Spain	10,649**	10,789**	438	Discount Store	5	ne
97	Liberty Interactive Corporation	US	10,499	10,499	626	Non-store	9	4.8%
98	Family Dollar Stores Inc.	US	10,489	10,489	285	Discount Store	1	7.2%

Source: Web of Deloitte.

According to Philip Olterman in his article published in The Guardian (2014), a German named Hermann Simon expert said that the success of Lidl is due to its great experience in “the toughest retail grocery market in the world”. Moreover they had to compete directly against a great opponent as Aldi, competing in both low prices and quality of products. Furthermore Simon also states that all companies Mittelstand in Germany, Aldi and Lidl they got what no American discount store had been achieved in Germany, because they managed to export its internal structures and also efficient in recent years has established a base focused to adapt for local cultures.

4.1. DAFO analysis.

Another point that is going to be Attended **external and internal is an analysis of Lidl** for identifies their strengths and opportunities and on the other hand the weaknesses and threats. In the table number 18, it can be seen schematically the strengths, weaknesses, opportunities and threats found in Lidl.

Figure 18: External and internal analysis of Lidl.

STRENGTH	WEAKNESSES
<ul style="list-style-type: none"> - Own brands -Temporary promotions -Low prices -New costumers -Large number of establishments in Spain -Advertising via catalogue -Strong international presence -Responsibility to the environment -Internationalization of the domestic products of their suppliers. 	<ul style="list-style-type: none"> - On site service -Shopping online -More information of the products for the consumers -Little variety of brands
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> -Society most committed to the environment -Similarity of population - Technological advances. 	<ul style="list-style-type: none"> -Massive competition -Economic crisis -Substitute products -New competitors

Source: Own elaboration.

Then it will explain in detail the elements of the previous figure:

LIDL STRENGTHS:

-Lidl is committed to the **own brands**, since they are intended to contribute good quality at the minimum possible price to its clients products. The own brands that Lidl currently have in their establishments can be observed in the image no..? Also in Lidl settlements the best-selling brands are own brands over other well-known brands.

- **Temporary promotions** of their products. Lidl constantly does promotions of temporary duration on certain products from the different sections of the establishment. For this they acquire certain references of various articles which will remain on site for a period of time. Examples are the Italian week, or incorporating products from DIY, seasons (currently related to the summer) or another type of temporary promotion.

- **Low prices.** Lidl manages to offer low prices because the majority of the products offered in stores are own-brand. This makes them able to reduce prices and offer minimum price to customers.

- **New customers.** Lidl acquires new customers through offers made, the low prices and the temporary promotions which achieves to attract many new customers to the establishment.

- **Large number of establishments in Spain.** Lidl is present in all of the provinces of Spain. Specifically, in 2016, it has 527 stores around Spain. Therefore it is not difficult to have a Lidl nearby to go and make purchases.

- **Advertising via catalogue.** Lidl performs a large amount of advertising through catalogues. Through the various catalogues they will inform customers about various promotions that will soon be coming in the shop.

- **Strong international presence.** Lidl is a large chain internationally and is present in almost all of the countries of Europe.

- **Responsibility to the environment.** Lidl seeks to minimize the impact to the environment, and for this it integrates various principles of sustainable development in different processes.

- **Internationalization of the domestic products of their suppliers** since having bet on domestic products, many Spanish suppliers have achieved the internationalization of their products.

WEAKNESSES:

- **On site service.** Lidl today still does not offer the possibility that customers can receive their orders at home.

- **Shopping online.** It is not possible to make the purchase of the desired products through the internet.

- **More information of the products for the consumers.** Consumers receive little information about many of the own brand products of Lidl, and generally don't know many of Lidl's own brands.

- **Little variety of brands.** This can lead to consumers not coming to the establishment if they wish to purchase a particular brand that Lidl does not have.

OPPORTUNITIES:

- **Society most committed to the environment.** In recent years, it has been observed that people are increasingly engaging with the care of the environment. Therefore Lidl may incorporate new ecological products or use new techniques that do not damage the environment.

- **Similarity of population.** More and more people purchase more or less the same amount of products of food, hygiene, drinks or household items. It will therefore be able to be more specialized, depending on the area or country where the store is, to the needs of that particular population.

- **Technological advances** can produce major improvements to facilitate consumers to make purchases, and to improve the management of the establishments.

THREATS:

-**Massive competition.** Currently there is a large number of supermarkets both in the Spanish territory and globally. That is why they will have to compete directly with a large number of supermarkets such as Aldi or Día.

- **Economic crisis.** The economic crisis has caused people to reduce consumption and therefore when deciding the purchase of many products, the deciding factor will often be the price.

- **Substitute products.** Increasingly it is more common that they display specific products that meet the same needs or services as the offers. These substitute products can make consumers stop buying a specific product to purchase another that meets these same needs.

- **New competitors.** We are currently in a globalised world in which in any place you can find products from anywhere in the world. Therefore, new competitors will be appearing both in Spain and in other countries of the world.

Nowadays, Lidl has 527 stores located throughout the Spanish territory. As the study will be carried out in the Lidl supermarket in Paterna (Valencia), it is noteworthy that these 527 establishments, in the Valencia region are scattered 63 supermarkets and in the province of Valencia specifically there are 24 establishments. This information can be seen in figure 19 obtained from the website of Lidl.

Figure 19: List of supermarkets Lidl in Spain.

[Inicio](#) > [Cadenas](#) > [Lidl](#)

Lidl - 527 listado de supermercados

01 - Álava (3)	19 - Guadalajara (3)	37 - Salamanca (2)
02 - Albacete (5)	20 - Guipúzcoa (7)	38 - Santa Cruz de Tenerife (10)
03 - Alicante (30)	21 - Huelva (6)	39 - Cantabria (8)
04 - Almería (11)	22 - Huesca (3)	40 - Segovia (1)
05 - Ávila (1)	23 - Jaén (7)	41 - Sevilla (24)
06 - Badajoz (7)	24 - León (5)	42 - Soria (1)
07 - Baleares (Illes) (17)	25 - Lleida (5)	43 - Tarragona (16)
08 - Barcelona (60)	26 - La Rioja (4)	44 - Teruel (2)
09 - Burgos (4)	27 - Lugo (3)	45 - Toledo (3)
10 - Cáceres (4)	28 - Madrid (59)	46 - Valencia (24)
11 - Cádiz (20)	29 - Málaga (28)	47 - Valladolid (4)
12 - Castellón (9)	30 - Murcia (17)	48 - Vizcaya (12)
13 - Ciudad Real (6)	31 - Navarra (7)	49 - Zamora (2)
14 - Córdoba (8)	32 - Ourense (3)	50 - Zaragoza (6)
15 - A Coruña (12)	33 - Asturias (10)	51 - Ceuta (1)
16 - Cuenca (2)	34 - Palencia (1)	52 - Melilla (1)
17 - Girona (10)	35 - Las Palmas (7)	
18 - Granada (14)	36 - Pontevedra (12)	

Source: Web of Lidl.

Also noteworthy is that Lidl not only is very important in Spain, but worldwide is one of the European chains that more is growing in recent years, allowing to control the hard discount in countries like Germany, France, UK and Spain³.

For the implementation of merchandising techniques of presentation and persuasion that carries out LIDL, I have established a supermarket LIDL reference, which is located in Paterna (Valencia). The choice of this particular supermarket and not one of the city has been because of the proximity to this. And for the choice of the company, because in recent years we are seeing a continuous growth of supermarkets Lidl and gradually has positioned itself among 6 large supermarkets distributors of Spain.

Lidl supermarket under study.

As we can see in figure 20, the selected LIDL is located on Santísimo Cristo De La Fe street in Paterna (Valencia). Its location is quite good because it is located in one of the entrances to the town, it has easy access. A disadvantage of its location is that it has a great competitor (Mercadona) very close. This proximity, we can observe it in the figure nº21 obtained in Google Maps.

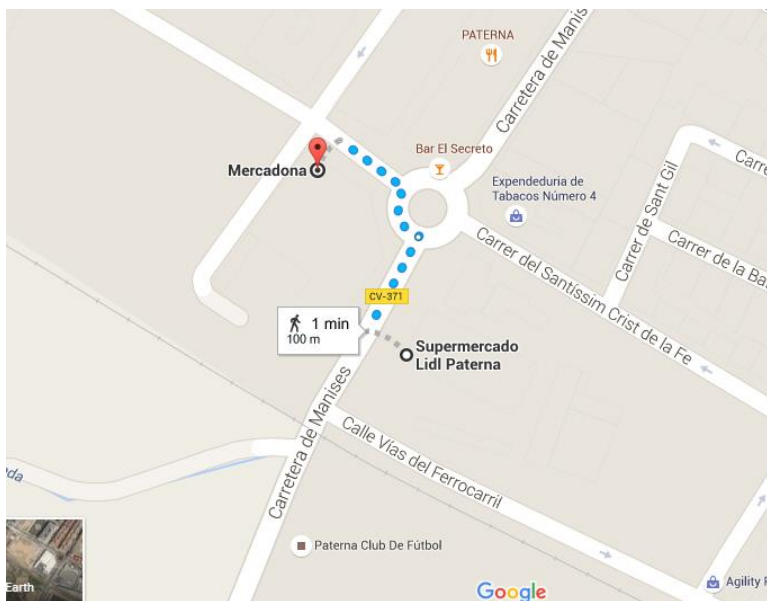
³ Source: Distribution and today, No. 340, 16-31, May 2005.

Figure 20: Data on the location of Lidl Paterna.



Source: Web of Lidl.

Figure 21: Exact location of Lidl in Paterna.



Source: Google maps.

5. EXAMPLE OF MERCHANDISING IN LIDL SUPERMARKET

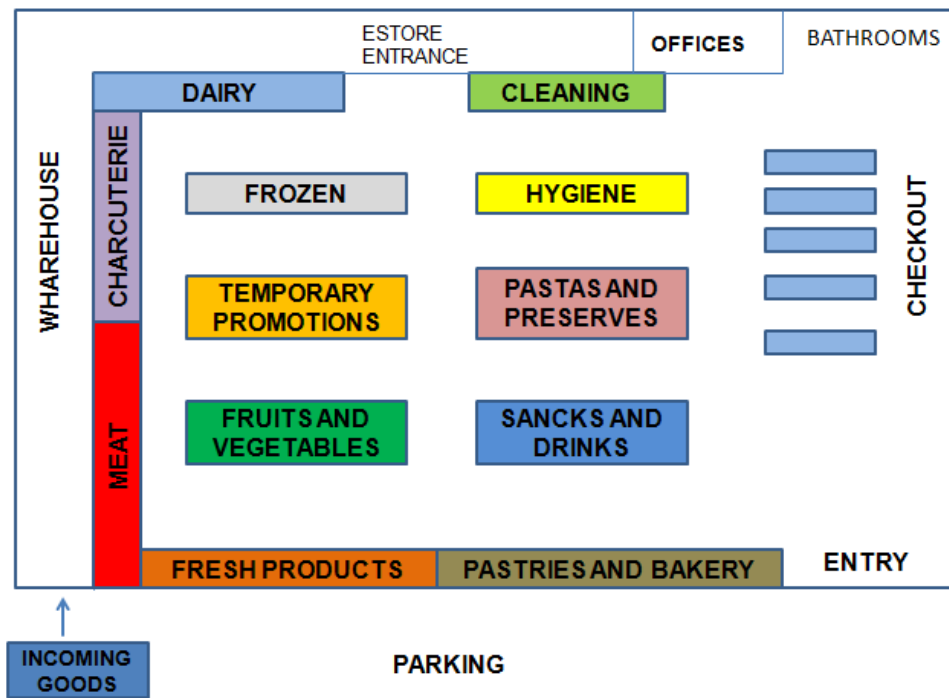
5.1 Merchandising of presentation in the Lidl shop.

We will then proceed to start the techniques of merchandising that Lidl uses to attract customers.

5.1.1. Placing the different sections of sale

The first aspect to be treated is the design of the establishment. In the figure number 22 we can easily appreciate the distribution used for the Lidl supermarket study.

Figure 22: Structure sections Lidl in Paterna.



Source: Own elaboration.

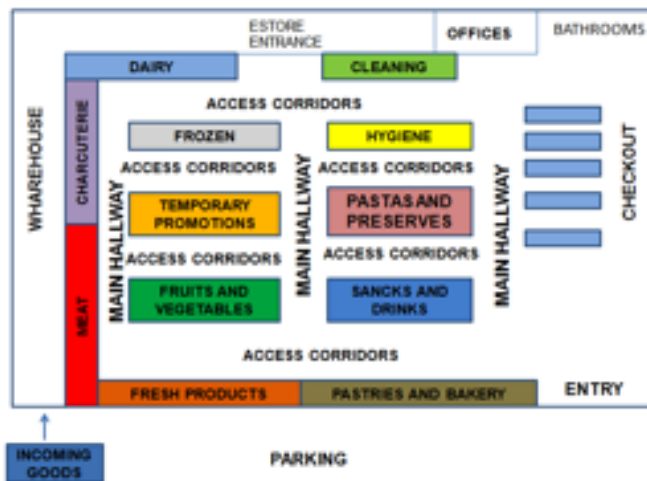
Also shown in the previous figure, Lidl supermarkets are structured in clear separate sections from each other to allow simplicity for consumers when making their purchases. In this case, the Lidl Centre of study is divided into twelve clear sections having a type of family for food, beverages or different items in each of them. As for the tills, it opts for the typical model used in supermarkets, since they are located near the entrance. On the other hand, as also seen in terms of the distribution of the sections, it has opted for placement of perishable products at the end of the establishment since these are in high demand and that way consumers will be forced to walk through virtually all of the establishment.

Also another important aspect worth mentioning on the distribution is the location of the articles of great attraction, which in the case of Lidl is a part of the promotions in certain articles, it is of great attraction for consumers the non-food items offered for a limited time, which are located in the temporary promotions section. This section is practically visible for all consumers since from almost anywhere in the store you can see these products and in many cases they become the function of product hooks, thus also forcing to visit the establishment. It is exactly positioned between the section of frozen, deli, butcher, fruit and vegetables and pasta and canned, therefore as said earlier, in almost any section you can see the temporary products. These temporary products

which are exposed in a stand, are varied, often placing items related to the season in which they are at that time, articles of DIY, clothing, toys etc. The last that Lidl looks at with the placement of this section in that place, is to make use of that wide circulation area to attract the consumers to purchase these products.

5.1.2 Circulation of the corridors

Figure 23: Circulation of the corridors



Source: own elaboration

Then, if we look in the figure 23, we can see that they are committed to the use of main corridors and access corridors. The main corridors that can be seen in the image above are the ones in the line of tills, in the middle of the establishment and at the end, and will allow consumers to see all products in the different sections in a fast and easy way. As for the access corridors, they are placed transversely on the main corridors and allow consumers to access the particular section in which they wish to purchase certain products.

5.1.3 Arrangement of furniture.

The placement that Lidl uses in the distribution of the shelves is the most commonly used in supermarkets, especially those of discount. It places the shelves of the different sections of rectilinear form with the use of main and access corridors also mentioned in the previous point, since this distribution is most appropriate so consumers can locate products quickly. However, among the disadvantages of this type of placement is that it decreases the probability that is run through all the establishment, since many customers know where each product is located they go directly to acquire it without stopping to observe the rest of the establishment.

Picture 1: Example of long corridors



Source: Own elaboration.

In the picture number 1, we can easily see the long corridors that they use, which cross part of the store to another, and in the middle of the right part of the image it can be seen that there is a door, it is the door which gives access to the warehouse where all the merchandise is stored. There is a hallway that goes from that door of the store to the other end of the store, through the circulation of that corridor allowing consumers to observe all sections and products which are arranged in the store.

5.1.4. Location of the products on the shelf.

Level higher than head height.

As we can also see in the picture number 2, it is clearly used for advertising purposes. This is done by placing posters on top with images related to the products that are in that section, so this way there is ambience in this area and from other sections products that are in each particular section can be easily and quickly seen.

Picture 2: Level higher than head height.



Source: Own elaboration.

In the image number 2 above we can see how the top shows a poster with a dog and food for this and just below this food is placed. On the side it is also observed that there is a poster about toilet paper just above where these are placed. Thus the advertising end of these posters can be seen at a glance.

Level of eyes or perception.

This level is best suited to attract the attention of consumers and therefore consumers will come to the shelf.

Picture 3: Level of eyes or perception.



Source: Own elaboration.

This level of the shelf is usually where the novel products and leading brands are placed. In the picture number 3 above, we can see on the right side, it has been placed at the height of the eyes among the leading brands, in this case Nesquik. This manages to capture the attention so that consumers will come to the shelf.

Level of the hands.

This is the level that presents convenience for consumers. As you can be seen in the picture number 4 at this level they place, in this case the bakery packages, those that consumers are more likely to buy.

Picture 4: Level of the hands



Source: Own elaboration

Floor level or below:

In this level given that more effort is required to acquire the products, it is those that have more weight, such as shown in the pictures 5 and 6, the package of dog food and water packs respectively have been placed.

Picture 5:Floor level or below



Source: Own elaboration.

Picture 6:Floor level or below



Source: Own elaboration.

In these images, it is impossible not to notice the peculiarity that the products that are difficult to handle for people are placed on their pallets for the convenience of employees.

5.1.5 Number of products on the shelf

Lidl, being a discount supermarket, is responsible for having a greater amount of products in high demand such as water, oil, toilet paper etc. Other products do not have a lot of articles since it is possible that it results in unnecessary stock.

5.1.6. Presentation of products by means of gondolas.

Vertical presentation.

Although it is the most appropriate because it provides greater visibility and facilitates the search and serves to expose complementary products, often if the establishment is not very large it can cause idle spaces. For this reason it is used very little in Lidl.

Horizontal presentation.

It is used more in Lidl where products are placed at the same level, in such a way that it will allow you to view the products and will achieve better useful space, although it is possible that certain products will not be seen and may be monotonous.

However, there is a third method that combines both presentations, both vertical and horizontal.

Picture 7: Combination of vertical and horizontal presentation.



Source: Own elaboration.

As well, it can be seen in the picture number 7, the combination of both consists of giving a certain area of a section to complementary items, in this case the different products relate to cheese and is set in the same way since this image shows that all the boxes of the section are yellow so that at a glance the customer can know that these products are related. With this form of presentation it becomes possible to emphasize each section given that consumers know that they can locate the related products in a simple way and complementary of the above mentioned section.

In this image it is to be noted that at first glance it is observed that articles are exposed on the same box, i.e. are not placed one by one, this is because Lidl is a discount supermarket, they try to minimize costs, and therefore reduce costs in storage and in personal. And by exposing the products in the same box, employees, at the time of replacing products, may do it quickly since they are not placed one by one.

5.2 MERCHANDISING OF PERSUASION.

5.2.1 External design.

The first component of the merchandising of persuasion is the external design of the establishment. Lidl, in recent years, has been modernising its different supermarkets, trying to make all of them look as similar as possible to give the consumer a clear picture of the company.

The Lidl object of study has the following exterior design, which you can see in the following 8 and 9

Picture 8: The facade of Lidl Paterna



Source: Own elaboration.

Picture 9: The facade of Lidl Paterna



Source: own elaboration.

The facade is the first thing that consumers will see. In this case Lidl instead opts for a simple white façade, in which at the top appears in large the enterprise label that can be seen from afar by consumers. They can also be seen using their own facade to place billboards on certain products in promotion, offers or the type of temporary or specific products that will be sold next week or that are currently in the shop. In addition, finally as for the design of the entrance, it joins the use of sliding glass doors, it is stopping part of the door to enter and another to leave the establishment. In addition, for convenience to customers, just before entering trolleys to make the purchases and ample parking is located.

5.2.2 Interior Design.

Then, as for the interior design of the establishment, Lidl advocates the use of the following methods:

Gondola headers.

As you can see in the following picture number 10, the gondola heads present products in promotion, since these places have great attractions to increase consumer purchasing.

Picture 10:Gondola headers.



Source: Own elaboration.

In the picture number 10 above is clearly seen as a located as a head gondola in this case the cream cans of beer, macaroni and oil of its own brands (Argus, Combino and Oli sone, respectively) which are currently a promotion price reduction further to stand out most, is placed an informative poster with a different colour of the price of products that are not for sale, in order to catch the attention of consumers and encourage the purchase of this product.

In addition Lidl generally use the headers gondola to promote their own brands which we can see in the picture 11.

Picture 11:Lidl own brands.



Source Lidl website.

Islands.

Lidl also uses the Islands to make a presentation of a product in isolation. This example we can see in the picture number 12.

Picture 12:Islands



Source: Own elaboration.

In this image it looks like you have been to an island where a promotion of potatoes is underway in an area away from the place where they are often placed in the establishment in order to draw the attention of the customer.

Pillars.

In Lidl the pillar placement is very common in heavy products such as milk cartons, many beverages like juices and soft drinks and detergents. In the picture number 13, we can see the example of the placement of milk boxes in pillars.

Picture 13: Pillars.



Source: Own elaboration.

Metal stands

For the temporary non-food products exhibition that Lidl offer, which we discussed earlier, Lidl uses metal exhibitors to allow consumers to have these products at the height of the hands and thus facilitate its acquisition. This can be seen in the following picture number 14.

Picture 14: Metal stands



Source: Own elaboration.

In this image we can also emphasize the adequacy of Lidl with seasonal articles. Since currently in June 2016 on the occasion of the Euro Cup they have several articles related to it, since consumers will have a greater interest in buying these products.

5.2.3 Psychological means.

In the section on psychological means we will determine the advertising and promotions that take place in Lidl.

First let's examine the **advertising** conducted in Lidl. Both posters and designs of these inside the store, like outdoor advertising are through flyers and television.

5.2.3.1. Posters.

- (a) Ambience. They are the comments above which serve ambience but do not offer any particular product.

- (b) Indicators. These are the products oriented in the different sections within the establishment. An example of this can be seen in the picture number 15 in which we can see in the upper part a sign that informs about fruits and vegetables.

Picture 15: Indicators and Price posters.



(c) Price. This will be the poster on which most consumers are fixed, we can use the same image as the one of the indicators to see the sign that informs about the price of the products. In the image 15 we can also see signs that report the price of products.

5.2.3.2. Designs

Firstly, in the form of posters used by Lidl, they are rectangular in shape and can be seen in the picture 16. Although according to the height and purpose they have, they are of one size or another.

Picture 16: Posters in rectangular shape.



Source: Own elaboration.

Second, note the use of different colors for the various types of posters. Lidl uses three colors in their posters, red, green, and white. The color white is used in products that do not need to highlight anything specific or highlight anything that relates to normal products. The Green is used to inform new products, and red to inform about price promotions. This achieves the best way to capture the attention of consumers with new products and offers. The green color you can see in the image above is announcing a new product, in this case a thermal protector hair.

The color red and white can be seen in the picture 17, in which you can clearly see that the red indicates a promotion and white highlights nothing specific.

Picture 17: Using different colors in their posters.



Source: Own elaboration.

Finally in regards to the information that these posters provide. They offer information about the price of the product, which is reflected in bold and occupying much of the poster so that it is easily visible, the name of the product and if it is reduced it indicates the amount of discount that this product has.

Other advertising media that Lidl uses are television, catalogs and an application for mobile. On television we normally see different ads related to promotions during that period or season.

As for the catalogs, at the entrance of all Lidl stores there is an exhibitor with magazines, so consumers pick them up and are informed of upcoming promotions to be carried out in the establishment. In addition it should be noted that practically every week Lidl makes a different kind of promotion so it necessary that they make and distribute magazines for customers so that they are aware of all the promotions. For example it realises weeks which it acquires products for example Italians, and during that week it has more products related to that theme, managing extra attention of consumers in those products and managing them to make a purchase on impulse of

these products, although it is also obtained that customers attend explicitly the establishment to purchase a particular product that they have that week. This can be seen in the picture number 18 which shows that the week beginning June 18 will be the Italian week and you will find Italian products in the establishment.

Picture 18: Temporary promotion



Source: Own elaboration

And the day June 18, a part of the establishment becomes familiar with the type of promotion done, in this case a gondola is created with Italian products and also some other corridors is also intended to present the temporary promotion. Góndola head of Italian products can be seen in the picture number 19.

Picture 19: Góndola head of Italian products



Source: Own elaboration.

Another media used is the creation of environments from the point of sale, as Lidl, in certain seasons such as Christmas, decorate the shop (though it invests less in decoration than other supermarket chains. But not to acclimate the establishment through music, or use of flavorings or great decorations to call a lot of attention by the consumer. creating a monotonous purchase for consumers.

Then, the second of the points to treat **psychological media** used in Lidl are the **promotions** .

We will mainly focus on the monetary and non-monetary promotions carried out at Lidl. The unique promotions that Lidl realise are the monetary ones.

5.2.3.3. Monetary promotions.

Lidl supermarkets only make immediate reductions in the price which is explained above in the section on theory which consists of the reduction of the price of a certain product. Lidl virtually year-round has discounted products being a discount supermarket, the consumer has to appreciate that Lidl prices are lower than other supermarkets such as Mercadona or Consum. Still, the reductions that Lidl make on their products is in a certain period of time, and sometimes are performed by specific events such as rebates, liquidations, or end of the season of certain products.

5.2.4 Stimulus means.

This point refers to the audiovisual means and creating environments which we have already mentioned above.

Anyway, as for the audiovisual means to highlight that they arouse a great attraction to consumers and cause the consumer buying.

The creation of environments in Lidl is scarcer than in other areas because they do not spend much of the budget on environmental space. Even so Lidl joins shop animation in times such as Christmas or Valentine's day. That is why at certain times of the year they also acquire environment-related articles for the store. For example in summer they acquire products for the beach or pool such as sun creams, bathing suits, floats or sandals among others. Thus you set the customer in the summer season.

5.2.5 Personal means.

In Lidl supermarkets this won't be one of the strong points, each establishment will be provided with the necessary staff to supply the shop and collect on the tills. Employees shall not engage special promotions or offer tastings of products to the consumers. Therefore the personal means in this establishment will not have importance when customers make their purchases.

6. CONCLUSION

To conclude, I made first of all a table showing merchandising techniques that Lidl do correctly and those where it needs to be improved. And after the table it has been discussed some general aspects to highlight.

Table 3: Summary of the conclusion

MERCHANDISING TECHNIQUE	IT DOES OR NOT?
MERCHANDISING OF PRESENTATION	
1.Placing the different sections of sale	Yes, because properly structured each of its sections.
2. Circulation of the corridors	Yes because they use main corridors and corridors of access.
3. Arrangement of furniture	They use the grid distribution which allows huge freedom of movement within the establishment.
4. Number of products on the shelf	Yes because they make a correct presentation at different levels of the shelf.
5. Number of products on the shelf	They have a large amount of products in high demand but the rest of products have reduced stocks to not cause unnecessary amount.
6. Presentation of products through gondolas	They make three types of presentation, the vertical, horizontal and combining both.
MERCHANDISING OF PERSUASION	
1. External design	Lidl chooses a simple façade that also use advertising boards and design entry through sliding glass doors.

2. Internal design	Lidl uses headers gondolas and islands for promotion of its own brands and also uses heavy batteries and mechanical supports for temporary products.
3. Psychological means	It uses this freshener posters, price indicators and posters; most of his posters have a rectangular design and use different colours for each type of poster. They also use media such as television advertising, catalogues, internet and mobile application. However, they can improve the environment of the point of sale because they do not use scents or music in the establishment and does not invest much money in decoration. Finally, usually the only promotions that take place in cash by Lidl are immediate price reductions.
4. Stimulus means	Although Lidl does not invest a lot of money to acclimate the surface, during certain periods of the year, acquire products concerned with the environment created . For example, in summer they extend their references in products such as sunscreens, swimsuits, sandals ...
5. Personal media	This is not one of the strong points of Lidl because it only has the necessary staff and employees do not make special promotions or tastings of products.

Source: Own elaboration.

As well it is appraised in the above table number 3, Lidl makes many successful merchandising techniques, especially presentation. Although, being a discount supermarket, it does not potentiate these techniques to the fullest because it needs to reduce costs.

Regarding the techniques of persuasion, the internal and external design of successful, however, the psychological means, the stimulus and personal might improve in the future to continue to grow its market share in its position and his image with regard to the consumer.

Finally, to conclude with the study of the practices of Merchandising that Lidl employs, is it noted that with the recent reforms of Lidl, it has made improvements in certain sections such as meat, fresh produce and bakery. All of this is to offer fresh products every time to the consumers and they are tailored to the needs of consumers. It is therefore possible that it needs to perform some new techniques to give value to these sections so that consumers not only focus on the price but they want to acquire them for the extra value being given them to.

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