CHAPTER 1
INTRODUCTION

Chapter 1 discusses the introduction and concept of this research divided into four major parts: background, problem formulation, objective, scope, and limitation. This chapter is also used as a basis for compiling this research.

1.1. Background

According to the Merriam-Webster Dictionary (2003), buying means obtaining ownership rights by using payment services, especially money. Buying activity is routinely done to meet daily needs. Although buying is a routine activity, customers often do not make a shopping list and tend to buy more than is needed (Elice, 2009).

The decision to buy a product often occurs when the customer is already in the retail. The urge to buy a product that is not planned before is known as impulse buying. There are internal and external factors that increase impulse buying. Internal factors are within the customers themselves, usually in the form of customers' habits and moods when shopping. In comparison, external factors are the factors created by the shop or the store environment.

The store environment is one of the retail marketing related to creating a shopping atmosphere. Aspects that form the store environment are store planning, merchandising, and visuals communication. Store planning is the placement of goods as well as a department within a shop, while merchandising is a method of presenting products offered in-store. Finally, visual communication is how retail helps prospective customers find products and get to know retail better through writing and pictures (Rahmasari, 2010). All the store elements help customers become more comfortable seeing all the products that retail has, so each product gets a chance to be seen by customers, allowing impulse buying. Therefore, product arrangement is a necessary factor to be considered. The proper arrangement of products on racks is called a product display or planogram.

According to the Oxford English Dictionary (1989), a planogram is a model or diagram that displays retail products' placement on the rack to maximize sales. Planograms are used to create consistency between store locations, provide a proper allocation of rack space, increase merchandising's visual appeal, and make

product matching suggestions. A planogram aims to guide and focus on organizing goods within the store, resulting in increased retail sales.

Based on CEIC Data (2020, August 2nd), Indonesia's Retail Sales growth is -10.1% in 2020-08. This record is up from the previous one of -12.3% for July 2020. Indonesia's Retail Sales Growth Data is updated monthly, with an average of 8.7% from 2011 until January 2020, from 116 observations. This data show that there is an increase in the retail business in the industrial world.

The growth of modern retail in Indonesia has benefited customers as it provides more shopping options and improves competition between retailers to increase sales by providing customer satisfaction by implementing a planogram to ease customers to find the desired product (Egan, 2011). Tiwari *et al.* (2015) assumed that retailers need to ensure that the right product can be displayed on the rack and available to each customer at the right time to increase sales opportunities. According to Dreze *et al.* (1994), several trials have shown that a product's placement in a retail store display significantly affects sales.

Hi-Bizz Minimarket is a modern retail store that sells a variety of food, beverage, and some household needs and is located at one of the gas stations in Magelang. The store's existence is unique since the sales are projected for customers who visit the gas station.

Based on the observation and the interview with the owner on September 22nd, 2020, the retail faced several problems. There was an unused rack, and the owner was confused about what products to put on the rack. Then the products were not placed based on a proper categorization. There are six categories in this retail namely food, beverage, medicine, soap, oil, and miscellaneous categories. However, there was some vacant space that can be used for additional capacity. Because some products are not displayed neatly, it was difficult for customers to find the product to buy. Customers for retail gas stations expect speed in shopping and not well-organized display will inhibit maximum buying. Still, based on the interview, it was known that the owner lacks experience and knowledge in the retail world. The owner only imitated the existing retailers he knows. The arrangement, rack placement, and instructions were only based on the owner's intuition.

Another problem retailers face is the shortage of workers. Initially, this retailer had two workers, and during the pandemic, the total number of workers left was only one worker. This shortage of workers occurred because during the pandemic, retail

income decreased, and the owner decided to reduce workers. This shortage of workers affects this research, where the transfer of categories into a rack has a maximum limit. The improvement in product display is expected to be able to overcome several problems in this retail.

1.2. Problem Formulation

Based on the background in Hi-Bizz Minimarket, it can be known that the problem formulation in this research is that there is an unused rack that retail owner cannot use properly. The retail owner is confused about what product categories can be placed on the unused rack.

1.3. Objectives

This thesis aims to propose one product category that will be moved to an unused rack in the form of product display based on customer preference. The determination of one category selected is based on the placement that is still random and divided into several racks. This improvement is carried out to makes it easier for owners and cashiers to place products on racks, makes it easier for customers to find products and increase sales.

1.4. Scope and Limitation

The problem's scope and limitations are maximum product display improvement only one category because Hi-Bizz Minimarket has a shortage of workers. Besides, selling price and sales per category from the point of sales (POS) in January, February, March, April, May, July, August, and September 2020 were also used. This research is only relevant for pandemic conditions due to the time of data collection.

CHAPTER 2
LITERATURE REVIEW AND THEORETICAL BACKGROUND

Chapter 2 discusses the literature review and theoretical background. The literature review consists of previous research and current research. At the same time, the theoretical background consists of some theories that provide support to this research, namely Retailing, Impulse Buying, Layout, Planogram, Category Management, Merchandise Hierarchy, and ABC Analysis.

2.1. Literature Review

Literature review is used to determine previous research used as a reference for the current research. It is essential because the processes and methods used in the previous research can be used as references and learning materials so that the current research can produce satisfactory results. The literature section will be divided into two, the first discussion is for previous research, and the second discussion is about the current research.

2.1.1. Previous Research

There are many methods to produce the right layout product. One of which is the Activity Relationship Chart (ARC) used by Indrawati (2019). In this context, the Activity Relationship Chart shows the distance and influence between one product to another. The closeness between the products that influence each other could increase the desire of customers to buy. This research utilized product classification from sales.

Based on the research conducted by Restiana (2016), product display improvements are arranged using analyzing customer behavior in traditional and modern retails for improvement. The data retrieval process was obtained by identifying the business processes in a store. This business process helped understand the store's process flow in arranging and determining products' appearance on the racks. Data collection was also carried out by observing and making questionnaires to determine customer behavior in the store.

Hidayatno *et al*. (2009) also used customer behavior to improve product displays in a store. The tool used in this research is the Eye-Tracker installed on an infrared camera and connected to a computer to identify the customer's eye movement patterns and direction in selecting products. When operating, the infrared would