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“How can Fox Networks Group become a successful
Live Events & Experiences player in Iberia?”

**STORE LAYOUT, DESIGN &
VISUAL MERCHANDISING POSITIONING**

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Note: Due to the nature of this individual report, some contents may be similar to the main report thesis

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GLOSSARY

FNG – FOX Network Group

LEE – Live Events & Experiences

SM – Store Management

BM – Business Model

STORE MANAGEMENT IN PERSPECTIVE

In a world where technology and digital presence are becoming astonishing issues, the physicality of things is being threatened. Store Management (SM), is one of the most affected areas on retail, where the focus is no longer the product/service. The concept of store has changed and retailers are having to adapt and respond. (Treadgold & Reynolds, 2016).

In fact, retailers are now shifting the perspective of their business model (BM) into a more customer-centric point of view, where the most important is what the consumer feels, experiences and demands, not so related with the physical aspects, but the emotional connection and transformational value. Customers are looking for WOW experiences as they want to be amazed. A New Wharton Research Data Services survey, found that 35% of the researched shoppers remembered to have an extraordinary shopping experience in the past six months as well as that four out of five people will recommend a WOW experience to three others. The survey stated the five areas that contribute the most to these experiences: engagement, service excellence, the experience itself, efficiency and problem solving. (Forbes, 2013).

Furthermore, it is known that the main drivers of this change are the younger generations, especially Millennials. They include everyone that was born from 1982 and 1996, which means everyone who has between 21 and 35 years old. (Forbes, 2017b). According to the previous survey, respondents aged between 18 and 30 years old seemed to remember sharply their shopping experiences, while the older generations pointed more practical issues (Forbes, 2013). In fact, Millennials no longer care about functionalities or special features; they only care about brand value, what it is standing for and if it has an authentic and genuine, as well as transparent practice. (Forbes, 2016a). Stores now represent, more than ever, this value statement and identity, as well as the physical evidence of what the company's beliefs and aspirations are. (Forbes, 2016c).

There is an “absolute necessity for physical stores to create an experience that is every bit as streamlined, well-stocked, seamless, easy to use, and fast as what customers have grown used to on the Web”. (Forbes, 2016c). In fact, it is imperative that brands find a way of entering into consumer’s digital life and create a reasonable link to a physical experience. As Treadgold & Reynolds (2016) brilliantly state, “Stores of whatever form must be conceived of as related, complementary and relevant to the shopper’s digital life such that one touch point supports another in a total web of physical and digital engagement with the shopper at the center”.

In the next chapters, a deeper view of the importance and effects on consumers’ behavior of the store’s design and atmosphere will be presented, always bearing in mind FOX Network Group’s (FNG) new LEE business unit approach., especially the three handled in the main report: FOX Fever: Family Guy Edition; FOX Prison Break Bar and FOX Crime Scene.

SERVICE OUTPUT DEMANDS ANALYSIS

In order to deliver the best value proposition to its customers, companies should have in mind how they are segmented and positioned according to end-users (customers) demands towards the products/services of subject. For a retail manager, Coughlan and Stern (2010) these segments are defined in accordance to the demands for the service outputs the marketing channel is offering. Coughlan, Stern, Anderson and El-Ansi (2006) state that “only after understanding the nature of end-users demands can the channel manager design a well working channel that meets or exceeds those demands”. Categorizing consumers on their demands, on how they want to use the products/services, allows retailers to identify potential target markets and correspond to the ones with the best fit. (Coughlan, Stern, Anderson and El-Ansi, 2006). FNG has to develop a clear understanding on these demands for each of the initiatives in order to build a coherent strategy. In **Table 1**, are presented four principal features of service output demands to take into consideration, according to Coughlan and Stern (2010), and two more presented by Coughlan, Stern, Anderson and El-Ansi (2006) to apply to

FNG’s experiences, where it can be found the practicable applicability for FOX Fever: Family Guy Edition, FOX Prison Break Bar and FOX Crime Scene on **Exhibit 51** of the main report.

Table 1: Service Output Demands

| | <i>Definition</i> |
|-------------------------------------|---|
| <i>Bulk-Breaking</i> | The division of great quantities of products into smaller quantities as the distribution channels develops. For instance, a company of rice produces a big quantity of its product in order to sell them in large bulks to retailers that will, hence, sell them in smaller quantities to families (on their monthly grocery shopping) that will consume it, during the month, in way smaller bulks each meal. This demand is usually more visible in products rather than services, therefore for FNG’s LEE propositions it is not found applicable. |
| <i>Spatial Convenience</i> | If the initiative is strongly linked or not with the convenience of the space location. There are initiatives that are more attractive than others and have the strength to move customers to wherever it takes just to live the experience – FOX Crime Scene for instance. Others have to have stronger and more convenient locations to attract customers – convenience plays a more important role in FOX Prison Break Bar and for FOX Fever parties it depends if it is out of town and if it is given transportation or not to the consumer. |
| <i>Waiting Time</i> | As the name suggests is the time customers have to wait to be served and how these characteristics influence or not the service/experience. Again, there are experiences that are capable of supporting great waiting lines, others that do not – ‘People want to wait in lines sometimes’ says the commercial director of FNG in Portugal, which looking for the FOX Fever parties example, may be a sign that the attractions are good and can create expectation. Reservation slots prior to the experience is used to avoid this problem – in the restaurant industry waiting lines are seen as a very negative aspect, therefore FOX Prison Break Bar will work with pre reservations. |
| <i>Product Variety</i> | How customers value the quantity of products and differentiating offers within a service/experience. This may depend from initiative to initiative, however in this area this feature represent one of the most important ones, since it is the one that determines how strong is the value proposition. As it can be seen in the main report, within the section of product assortment (page 39-43), FNG should invest its time on developing the variety and differentiation of its experiences in each one of the initiatives. |
| <i>Customer Service</i> | As the latest, the way customers are immersed in the experience and connect with the brand through it, is crucial on the delivery of these proposed services. There are levels of engagement in each one of the experiences, and the way the service is provided before, during and after it happens is fundamental to deliver the best experience possible. On the main report, within the section of customer service (page 52-53), are in more detail the service provided in FOX Fever: Family Guy Edition, FOX Prison Break Bar and FOX Crime Scene. |
| <i>Information Provision</i> | The experiences may also have informational features that add value to the offering. This characteristic is valued only by certain types of customers that are looking for a rewarding intellectual experience, rather than just entertaining. In the example of FOX Crime Scene, the interactive game and the use of many different sources of information to solve the crime allows FNG to attract these kind of customers. |

Wrapping up, after having done the analysis on service output demands and categorizing customers within common requirements on how the service/experience should be, the retailer is able to draw the experience. Based on these insights, it is necessary to incorporate, in accordance with the target audience of focus, the information within the overall marketing channel design and management practices. (Coughlan, Stern, Anderson and El-Ansi, 2006).

STORE DESIGN & DISPLAY

Many authors defend that in retail stores, customers go through a rational process that determines exactly how they behave. However, Levy and Weitz (2012), state the opposite, mentioning that most of times the consumer does not take the time to engage in this rationale. In fact, within the LEE industry, people are more worried on living the moment rather than calculate every move - being an unconscious process.

This way, Levy and Weitz (2012) confirm that the way stores are configured and established has great influence on shopper's behavior. Similarly, Treadgold & Reynolds (2016) state that retailers have to shift their scope onto two main challenges: the first one is to have a deeper understanding on how customers are wanting to engage with the brand and secondly, to be extra clear on how their store and value proposition is capable of offering these engagement demands. The concept of brand experience that consumers are looking for includes, therefore, the entire store design and atmosphere, as well as the high standards for quality. (Forbes, 2013). With FNG it becomes clear the trend of LEE and its evolution towards the media and entertainment market, therefore being an urgency for this company to respond to the demand. The physical space for FOX Fever: Family Guy Edition, FOX Prison Break Bar and FOX Crime Scene will help FNG concretely engage with its customers and carry them to its entertainment world. This description is found explained in detail within Design & Display section of the main report (page 45-50).

There are five store design objectives proposed by Levy and Weitz (2012), which can not all be achieved at the same time, so companies have to choose a trade-off: (1) Implement Retail Strategy; (2) Build Loyalty; (3) Increase Sales on Visits; (4) Cost Control; (5) Legal Restrictions. For FNG initiatives, the focal objectives are on the first and second point. Regarding **retail strategy**, FNG is wanting to follow the most recent trend in order to position itself with a strong competitive advantage among competitors, which is still not doing so in Iberia. Additionally, FNG wants to increase brand equity by increasing **loyalty**. The way the space

is designed can attract many customers into this physical reality of their favorite series, engaging in a way that people are motivated to repeat the experience.

It is important to define what kind of benefits retailers want customers to take from each experience. There are two types of benefits, highly related to the objective of the space layout & design. The **utilitarian benefits**, which are taken from the productive and efficient way of buying stuff, where what consumers value the most is time saving, (i.e. supermarkets, department stores). In contrast, in **hedonic benefits** the consumer is more experience-oriented and wants to be immersed in the store's reality. The objective of retailers is to provide an entertainment and enjoyable experience, leading consumers to spend more time in the store, thusly buying more. This is the famous case of Apple stores, where its main objective is oriented on "enriching the lives of its customers than simply selling them things". (Forbes, 2016b). The stores are designed to be personalized "town squares" comprising several activities (i.e. Teacher Tuesdays, How to Code lessons). (Forbes, 2017a). Similarly, Treadgold & Reynolds (2016) present a different approach to choose the store design objectives, presented in detail in **Exhibit 1**. Again, as seen in the main report, FNG's objective with all three BMs is to create hedonic benefits, leading clients to repeat the experiences.

There are three elements, according to Levy and Weitz (2012), which should be taken into consideration when building a strong store design. Each of them, (1) Layout, then (2) Signage and finally (3) Feature Areas, are to be developed for each brand extension offering of FNG.

(1) Layout

Concerning stores' layout, a retailer should bear in mind what is the main objective of relation with the customer, whether process and convenience or engagement and experience. Since the focal subject of this report is the LEE world, the initiatives should provide a *Free Form* or *Boutique* layout where the spaces are asymmetric, not focusing on shopping efficiency but on an intimate and relaxing ambience, where customers are welcome to stay as long as they want. (Levy and Weitz, 2012). The objective is not to force people to go

around the store and explore, or to have the maximum amount of merchandise visible, as the types *Racetrack* and *Grid* respectively - focused on utilitarian benefits only - but yes an invitation of immersion and self-exploring attitude. Layouts built for FOX Fever: Family Guy Edition, Fox Prison Break Bar and FOX Crime Scene with real space plants from benchmarks, are presented in **Exhibits 41, 44** and **48**, respectively, of the main report.

(2) Signage

In what regards signage, it is intended as signs and graphics that are used to identify specific areas of the store, product information, suggested items and special offerings. These are very important not only to identify all the main merchandise and specific spaces within the store, but also to create a more immersive environment coherent with its layout and design. Therefore, as the subject is on FNG's series, the signs will have to be in accordance to them. Icons and images usually work better than just words, because not only they are universally understood as well as they are more effective on capture customer's attention. Due to the last point, many retailers are shifting their traditional signs to digital ones, being also more effective due to the "ease and speed (flexibility) of content development and deployment, enabling the content to be varied within and across stores at different times", reducing costs and increasing content turnover. (Levy and Weitz, 2012). Signaling for each initiative was built accordingly with the corresponding theme and is found on **Exhibits 42, 45** and **49** of the appendix section on the main report.

(3) Feature Areas

These are the areas capable of influencing customer's buying in such way that retailers guide, through its strategic position, consumers across the store. Levy and Weitz (2012), define eight types of feature areas, presented in **Table 2**, however not being mandatory to include them all: (1) Windows; (2) Entrances; (3) Walls; (4) Cash Wraps; (5) Promotional Aisle; (6) Freestanding Displays; (7) Dressing Rooms; (8) End Caps. For each FOX Fever: Family Guy Edition, FOX Prison Break Bar and FOX Crime Scene, feature areas are

drawn in the layout space plants appendices mentioned above and described within the Design & Display section (page 45-50)., regarding the main report.

Table 2: Feature Areas Description

| <i>Feature Areas</i> | <i>Description</i> |
|---|--|
| Windows | The channels that provide the first impression of the store, from an outside perspective. They are crucial on the decision of entering or not and provide important information to make that decision, for instance, they should display merchandise in such an attractive way that the potential customer feels drawn inside. It is also via the windows that the brand can transmit to everyone, users and non-users, what the brand is all about. Both FOX Fever parties and FOX Prison Break Bar will have no windows and FOX Crime Scene will have windows that not allow people from the outside to see the interior to not ruin the surprise factor. Therefore, in FNG initiatives windows do not play an important role. |
| Entrances | It is through them that the customer decides to immerse in the store. The first decision of entering the store, which was only pure curiosity, now it can be transformed in acceptance and full immersion in the store's value proposition. Studies show that there is a first "decompression zone" where customers are still adapting to the store's environment and, therefore, can still be reluctant. In fact, retailers should not display any merchandise, displays or signage in this area, and should make it the most attractive possible. As it can be seen in the main report, each initiative will have a strong entry area, which marks a separation between the begin of the experience and the experience itself, in order to break quickly this first reluctant impression and preserve the surprise factor that is very important in the LEE world. |
| Walls | They limit the total space of the store and can even be used to display merchandise, signage or creative content. Retailers should take advantage of wall space to convey store's brand image in a different way, offering also a different perspective for customers to visualize merchandise. Merchandise disposal in the three initiatives is not found important, walls being used to secure decoration and theme items instead. |
| Cash Wraps/ Checkout Areas | As these services have to be payed, the existence of these areas is absolutely necessary. Retailers should try to find ways of making this process the most convenient and efficient possible, being many the stores that are shifting their checkout areas to simply QR codes directly connected with the credit card account, reducing staff and logistics inefficiency. This is the case of Amazon department stores for instance. FOX Prison Break Bar will adopt this system, reducing the checkout area, replacing it to a mobile POS System, reducing also the confusion of people within the reduced space of the bar. |
| Promotional Areas; Freestanding Displays; Dressing Rooms; End Caps | All the rest of the mentioned feature areas, are most common in big department stores and supermarkets (Promotional Aisle, End Caps) or apparel stores, (Dressing Rooms, Freestanding Displays), not being a good fit for LEE stores, in a general view perspective. |

With feature areas decided and designed, retailers have then to make two important decisions regarding **space management**: (1) the amount of space allocated to store merchandise and (2) location, within the specific store, of its different areas. These decisions must go in line with the retailer's store objectives and

customer purchase intention understanding. Concerning the first point, the retailer is focused mainly on logistics and the well-functioning of the store, such as space profitability and productivity, merchandise turnover of inventory, the impact on sales and the display needs (which depends on physical features of merchandise). The second decision is what draws the store. Retailers must distinguish what kind of merchandise they want to emphasize more, whether it is impulse merchandise, technical and specific merchandise or demand merchandise. For LEE, the most important is to capture attention and to build amazing impressions through the strike zone, (after the decompression zone customers are welcomed on the immersive environment of the store with graphics, displays, etc) in order to stimulate customers to go deeper on immersion and stay longer in the store. (Levy and Weitz, 2012). Description of space for each initiative is found explained in the first paragraph of each BM description on the Design & Display section of the main report.

The way **Visual Merchandise** is displayed and presented is also important and some techniques according to Levy and Weitz (2012) are found explained in detail in **Exhibit 2**. They are not applicable in the LEE proposed to FNG's new business unit because most of visual merchandising will be displayed in shelves.

STORE ATMOSPHERE

Within the store, all details matter to create a complete, total immersive and rewarding experience. Big companies around the world are spending millions of dollars to adapt their stores in order to provide the best shopping experience to their clients - i.e. Disney Corporation spends 1 million per store (Levy and Weitz, 2012).

Looking at the term definition, Kotler introduces this concept in 1973 as being the “form of aware area that produces a particular emotional impact on shoppers in order to enhance the likelihood of buying” (Science Direct, 2015). Therefore, studies confirm that customer behavior is highly linked to the way customers feel

inside a store, a feeling which is stimulated by their five senses: taste, sight, touch, smell, and sound. A study performed by Kordelia Spiesa, Friedrich Hesseb and Kerstin Loescha in 1997 shows that the way customers feel inside the store will increase customer satisfaction, building brand image and, consequently, leading customers to stay longer inside the store and make purchase decisions, increasing overall sales. (The Balance Journal, 2017). It becomes clear that store’s ambiance plays a crucial role on connecting both space Design & Display and SM in one perfect symbiosis, where the customer is in the center.

Based on the five senses theory of Levy and Weitz (2012), below in **Table 3** are described how the store should develop each one in order to produce the desired effect. The description of Atmospherics for the three initiatives is found explained in detail within the Design & Display section of the main report (page 45-50).

Table 3: Store Atmospherics in SM

| | <i>Description</i> |
|------------------------|--|
| <i>Lighting</i> | It is important to understand that it involves more than just illuminating a space, it can highlight merchandise, capture a feeling or emotion and guide customers through the store. (Levy and Weitz 2012). Retailers can manage the lighting system of a store creating excitement and increasing engagement towards the experience. This aspect gains importance when talking about the LEE market. Lighting is crucial to set a mood and it can vary during the day. During day light, the natural light coming from the windows can be used in complement with some incandescent lights to create a cozy and warm environment – for instance FOX Crime Scene. For FOX Fever parties and FOX Prison Break Bars only incandescent, coherent, lights will be used. |
| <i>Colors</i> | They are also used to create a mood, which should be directly linked to the brand’s image, helping thusly to transmit the message and to increase engagement. According to Levy and Weitz (2012), warm colors have the ability to produce more warm and exciting feelings, generating more vibrant, energetic and active reactions towards the brand (red, orange, yellow). Conversely, cold colors (blue, green, violet, white) transmit more calm and relaxed feelings, producing a peaceful and worry-free effect on customers. Mood boards were built for each FNG experience and can be spotted in Exhibits 43, 47 and 50 of the main report appendices section. |

| | |
|---------------------|--|
| <i>Music</i> | Music easily transmit the mood of the store, which can be easily changed in different times of the day. This may depend on the people flows across the day - looking towards a food chain for instance: in the morning a more calm and relaxed music, i.e. Classical music, for early morning consumers that want to enjoy their breakfast calmly; during the afternoon, where customers are more willing to stay longer and gather with friends, a more active and vibrant commercial music to set the mood; in the evening again joyful but calmer music, i.e. Jazz soundtracks. This last choice of music playlist is linked to the fact morning customers are usually older and afternoon and evening customers are Millennials and younger generations (Levy and Weitz 2012). Certainly, the authors also mention that this soundtrack choice depends on the region, as well as demographics and culture, also varying sometime according to the season (i.e. Jingle Bells during Christmas time). Retailers here have to develop a deep understanding on their customers in order to create and adapt the perfect playlists. For FNG proposals soundtracks have to follow the trends, therefore, for FOX Fever: Family Guy Edition party and FOX Prison Break Bar trendy and similar target audience benchmarks should be used and for FOX Crime Scene a thematic suspense and crime playlist should be selected. Additionally, it also depends on the theme and series associated to the event. |
| <i>Scent</i> | Scent has a great impact, although an unconscious one, on setting customers mood and feelings towards a brand. All mentioned ambiance features working together produce a major impact on consumer's behavior inside a store, and scent is the cherry on top of the cake. Studies were made to prove that clients in stores with pleasant scents believe they are spending less time shopping than they actually are (Levy and Weitz, 2012) and stores with neutral scents are more impactful than stores with no scent. As music, scents can easily be changed in accordance to the type of customers, the culture and the holiday seasons (i.e. cinnamon and pine scents during Christmas) and they vary in accordance to the category – for instance if we are talking about a bakery shop, hot fresh bread scent should be used from every now and then. Similarly, scent should be used to regulate the ambiance, for instance with FOX Fever parties and FOX Prison Break Bar, which are closed spaces. For FOX Crime Scene, scent is used to characterize the scenarios accordingly, producing a real life effect. |

CONCLUSION

All the above-mentioned features of a store design and display as well as the ambiance felt within a store, are key factors to convey the brand's message and to communicate its image, meeting a certain positioning. They do not work separately though, they have to be connected and coherent to a predetermined theme and have all to convey the same message. Therefore, retailers have to develop a deep understanding on SM techniques, as well as the new market trends on experienced services, its target audience customers profile and, then, with all the information gathered, to commit fervently on applying it to its stores. Consequently, regarding to FNG new strategic approach and in terms of conclusion, that is why the theme series chosen for each initiative is so important, since it is determinant to design the store and rearrange the space, as well as its entire ambiance. Whether for FOX Fever parties, FOX Pop Up Bars or FOX Crime Scene, the series associated are what is going to draw the experience and lead customers towards a successful live event and experience.

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EXHIBITS

Exhibit 1: *Selective Excellency of Treadgold & Reynolds (2016)*,

Similarly to Levy and Weitz (2012), Treadgold & Reynolds (2016), suggest that retailers still have several opportunities concerning their physical spaces, that are being challenged by online stores but, even so, are still very important meeting points with the target consumers. Therefore, they enumerate five territories where retailers should focus on in order to sustain their physical advantage. As the previous authors, they defend that a retailer should aspire to “selective excellence”, meaning to provide excellency on two territories and to be competitive on the rest. These are (1) Experience; (2) Problem Solving; (3) Immediacy; (4) Convenience; (5) Value. FNG should focus to excel on the first one and last. In what regards **experience** it is obvious that the main goal should be to attract customers with the unique and completely new offer in the market, working as a live entertainment channel linked to the actual pay-tv contents. “Stores can provide a physicality and sense of place, an opportunity for immersion and a type of social engagement that cannot be created online” (Treadgold & Reynolds , 2016), This is, thusly, high linked with the **value proposition** of the offer, where customers perceive the price, premium or low-cost, they are paying. With a clear state of value, adjacent with the experience attributes, special features of the products, on social engagement with others and even the whole atmospheric surroundings contributes to an increase on customer expectations about the brand’s offering, thus being willing to pay more, to stay longer and even to recommend the experience. In fact, the Millennial generation is very marked by the recession and difficult times with the economic crisis, where the perspective on prices have changed drastically from previous generations. Moreover, they are highly educated and tech-oriented leading to extremely high price transparency among competitors. Therefore, this consumer patterns is leading to a major focus on the value of things, rather on price, where product’s attributes are undervalued and its intrinsic benefits and overall value on how they are presented is the most important. (Forbes, 2013).

Exhibit 2: Visual Merchandise Presentation by Levy and Weitz (2012).

When talking about display it is important to understand what it is been displayed in the first place. Levy and Weitz (2012), define **visual merchandising** as being “the presentation of a store and its merchandise in ways that will attract the attention of potential customers”. In fact, there are many different ways of disposing merchandise in the fixtures according to the authors: (1) Straight rack; (2) Rounder; (3) Four-way fixture; (4) Gondola. The first three types of fixtures are essentially used by apparel retailers to exhibit clothes. The rest of the retailers commonly use the gondolas that are more versatile and capable of holding more merchandise. (Levy and Weitz, 2012). Additionally, it can be used shelves to hold merchandise or even just hang them directly in the walls.

In terms of presentation techniques, the retailers must bear in mind what are the store’s image and brand fulfillment objectives. If the retailers are focused on only selling products, and providing an efficient way for customers to find shortly what they are looking for, then merchandising should be presented by (1) item and size, (2) Tonnage merchandising or (3) Frontal Presentation techniques. With the latest, consumers can easily identify what they are looking for once products of a specific type are put all in the same place and in large quantities to catch attention. Continuing to use Levy and Weitz (2012) insights, when the store’s objective is to communicate a brand image and to convey a message, as the case of FNG experiences, the most important thing is not if the customer finds easily the product, but if the customers finds enough value to purchase it. Therefore, the retailer should use a (4) Idea-Oriented or (5) Color Presentation, where the customer is easily attracted to the fixture and can have a greater understanding on how the item can be used and combined.