

Investigating the Retailing Strategies of Vape-Shops in the UK

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Abstract

The aim of this working paper is to investigate the retailing strategies of ‘vape shops’ in the UK. These independent stores sell electronic cigarettes and vaporizers that are battery powered nicotine delivery devices. These devices are characterised as, mystique, novel, and risky with obscure benefits. The value and innovativeness of this study involves a new, niche retail sector that is serving customers with products that are highly controversial and even banned in certain countries including Canada and Australia. The contribution to marketing academics and industry practitioners is significant since there are interesting learning outcomes from this nouveau retail sector. Vape shops in the UK have become an influential retail outlet for customers seeking a healthier nicotine fix while being a viable community business that has sifted through negative publicity and a quagmire of stories and beliefs about the benefits and hazards of vaping.

Key words: Retail; E-Cigarettes, Vaping, Vaping Devices, Retail Strategies

Track: Retail

Introduction/Background

The aim of this paper is to explore and investigate the selling strategies used by the vape shops, which sell e-cigarettes, vaping liquids, and vaping products, which many customers feel are a healthier alternative to tobacco. The majority of the people vaping are (or were) tobacco smokers who have switched to vapor because they feel it is better for the environment, no recycled smoke, to wean themselves away from tobacco and to save money.

“E-cigarettes, also known as ENDS (electronic nicotine delivery systems), are a means of inhaling nicotine vapor, potentially eliminating the need to use smoked tobacco” (Dockrell et al, 2013, p.1). Vaping devices consist of a metal or plastic casing in which a battery-operated atomizer produces a vapour, eliminating the tobacco aspect of combustion cigarettes (Etter and Bullen, 2011). The term ‘vaping’ arose from self-organized group of electronic cigarette users, ‘vapers’, as they state they “inhale vapor, not smoke” (Borland, 2012, p 890). The market is best summed up with this quote, “E-cigarettes are benefitting from a vast amount of

entrepreneurial skill – new products, additional features and ingenious innovations are continually appearing. This is being backed by an extensive understanding of customer needs – whether those of smokers or non-smokers” (De Andrade, et al., 2013, p 5).

Customers have sparse information concerning the use or health risks associated to vaping therefore most customers rely on their neighbour vape shop for product information to demystify rumours about the perils of vaping. The Financial times reported the number of vape shops and ‘vape bars’ in the UK increased 55% in 2014 (Felsted and Robinson, 2014). These vape shops are in competition with convenience stores and large grocery chains (Tesco) that have limited knowledge on the category and only sell branded e-cigarettes such as Blu, E-Lites, Nicolites, Skycigs. Purchasing e-cigarettes from these larger outlets is transactional and synonymous to buying a branded package of tobacco cigarettes. In comparison, the vape shop has abundant product lines (including an excess of 500 different vape flavours, known as ‘liquids’) and a sales staff who can educate the customer. Other attributes of a vape store include, generally at least one staff member who vapes, thorough product knowledge, combined with a passion for the product ensures that the novice customer can be educated accordingly.

The UK e-cig market in 2014 is valued at £117m at retail sales and in a global context valued at £3.5bn (Shubber, 2014). Bauld et al, (2014) argue the industry has experienced rapid growth and is expected to be worth £340 million by 2015 after a huge 340% increase in 2013 alone. There are approximately 2.1 million adults in the UK using e-cigarettes and according to ASH (2014) one third of these users are ex-smokers whilst the other two thirds are using tobacco cigarettes along with e-cigarettes. Vranks (2014) argues e-cigarettes have become a multibillion dollar market forecasting that the e-cigarette sector will grow 29.3% compound annual growth rate to reach \$23.4 billion in 2019 and \$50 billion by 2030. A website, eCigdirectory.co.uk lists over 1,000 retail locations across the UK and aims to raise awareness of vaping as an alternative to tobacco.

Arnold and Reynolds (2003) suggest that a key motivator for people to go shopping is for hedonistic pleasure and have identified the six dimensions of shopping behavior as: adventure, idea shopping, role, value, social shopping and gratification. *Social shopping* allows for people to meet, interact and share their shopping experiences. *Gratification* focuses on relieving stress and the worries of everyday life and combines the elements of escapism and socialization (Ennis, 2015). These two dimensions, socializing and gratification have an important role for vape shops since many customers visit their neighborhood vape shop to exchange stories and seek product advice in a ‘club-like’ environment. The entertainment aspect of retailing or ‘*entertailing*’ has become a critical retail strategy for vaping shops that also incorporate the gratification aspects (Stoel et al., 2004). The fact that vaping customers gain gratification for their nicotine cravings, feel comfortable and accepted in vape shops while being surrounded by like-minded people is a strategic retail strategy.

Social shopping is a key motivator for the customer to sustain their patronage to a particular store (Arnold and Reynolds, 2003). Brennan and Lundsten (2000) argue that local merchants emphasize personalized customer service compared with larger chain stores. The smaller independent vape shops offer narrow, but deep product lines and are likely to attract similar clientele with comparable needs and interests that fosters a sociable community of interaction.

A key retailing strategy for UK vape shops is their '*localness*' and independence. To be successful vape shops must satisfy the *uniqueness* and *assortment* attributes customers are seeking (Noble et al., 2006). Having unique products is an important strategy since it demonstrates the vape shop's ability to customize products to meet customers' preferences. In addition researchers have found that a store's breadth of assortment is positively related to store patronage behavior (Broniarczyk et al., 1998). Assortment offers the customer option value and reduces search costs (Hoch et al., 1999). A third attribute, *convenience* has also been shown to foster customer loyalty (Eastlick and Feinberg, 1999) whereby the retailer minimizes time costs and maximizes shopping opportunities. Similarly offering longer operating hours and greater access lead to greater convenience. Customers' perceived expenditure of time and effort interacts to influence their perceptions of service convenience (Leonard et al., 2002) and retail shops can be designed to affect those time and effort perceptions. For vape shops, all of these factors need to be considered to formulate retail strategies.

A significant attribute of retail is the friendliness of salespeople which allow the human interaction and socialization outside the home. Customers generally experience a strong motivation to associate themselves meaningfully with groups of 'kindred spirits' to reduce feelings of boredom and loneliness (Tauber, 1972) and to share the emotional pleasures that unite socializing and shopping. The sales peoples' friendliness is a critical factor for vape shops due to their limited market share, competitiveness and novelty of products.

Completing a sale depends on the ability of the salesperson to interact with customers to identify or create solutions. This involves learning to create value and learning about the customer's needs (Zhang and Glynn, 2015). The interaction in creating value in the buyer-seller relationship is a significant role for the salesperson. This role of value creation is strengthened by the salesperson's ability to listen to the customer, build trust, detailed product knowledge and demonstrate economic value (Hass et al., 2012). This is a paramount sales strategy for all retailers and particularly critical for vape shops due to the plethora misunderstandings and rumors about vaping.

Methodology

Fifteen in-depth interviews were conducted with managers from vape shops in two major UK cities. The interviews lasted approximately seventy-five minutes, and were conducted in April and May, 2015. There were also many opportunities to observe the selling processes and sales techniques of the salespeople. This observation "provided closer access to reality" (Gummesson, 2007, p 130) and the retail activities in the vape shops. Data collection, analysis and interpretation of the data was completed solely by the authors of this paper. A set of structured questions to elicit managers' responses describing the retail strategies were the cornerstone of the research. Interviews with the shop managers were aimed to learn about their selling environment and to understand the selling strategies. The interviews were transcribed verbatim and analyzed using the qualitative software package Nvivo10 as a data management tool. Interviews were adopted as an appropriate research design for the study which focused on understanding the dynamics present within a single setting (Eisenhardt, 1989). The main benefits of structured interviews is that researchers can move far beyond 'snapshots' of 'what' or 'how many' to probing questions relating to 'how' and 'why' type of questions and thus explore links between phenomena in real life settings (Miles and Huberman, 1994). In addition the interviews allowed the researchers to observe the dynamics and social interactions between the customers and the vape shop salespeople.

Findings and Discussion

Respondents provided a variety of responses, unsurprisingly many of the strategies focused on traditional retail values of product knowledge and good selling techniques. Four of the shops used loyalty schemes, and almost all of the vape shops have creative names (Vapor Frog; Bean Smoking; Dr Vapor). For Vape shops, the primary retail strategy is to provide phenomenal customer service exemplified by the following quotes:

“our salesclerks vape . . . they know the nicotine craving . . . they truly believe vaping is a healthier alternative to tobacco and have a passion for the products”

(Vaping Caterpillar Shop)

“We are ex-smokers, so understand nicotine reduction” (Vapour Lounge)

“our goal is to have a customer educated and ready to vape in five minutes . . .up and ready using the product” (Vaporized Shop)

Interestingly, the above quote was stated by eight of the respondents, which is a testament to the retail strategies of providing a local shop that is knowledgeable and able to provide customised products. The key word is, ‘*using*’, since the salesclerk does not want any dissatisfied customers. This selling strategy was repeated several times by salespeople emphasising the importance of educating and getting the customer ‘up and running’ with their purchase *in the shop*.

It was evident from all the respondents that survival of these independent vape shops depends on a continuous flow of new customers and providing valuable shopping experiences, socialisation and welcoming to the ‘neighbourhood vaping club’. A key attribute to this experience is educating customers about vaping, the availability and quality of vaping liquids and products. It is the salesperson’s ability to secure the sale within the “last 10 feet” at the point of sales with product knowledge. The salesperson provides an acceptance to the ‘*cult of vaping*’ while adapting a sales role to meet the customer’s needs that surpasses a transactional sale at a larger chain store. The salesperson’s use of adaptive selling and boundary spanner role (Walter, et al., 2003) while explaining the advantages and disadvantages of vaping are essential retail strategies.

“Our strategy is to provide product information, allow customers to test and sample the products in the shop . . . we have a range of products from ‘starter kits’ to ‘tanks’

(The Vape Lounge)

It was found that these independent, small businesses (less than six employees) are successful due to their ‘*localness*’ and serving the immediate community with valuable customer service. All of the respondents had websites to further enhance not only sales but the proliferation of vaping. The use of online forums encouraging people to share their vaping experiences (see E-cig review.com) and to educate and lead potential customers in their buying decisions was also a popular selling strategy. Ten of the respondents had their own Facebook page used to create a ‘*vaping community*’ where customers could interact and share their experiences. It was found that creating a ‘*club-like community*’ was an essential sales strategy and this community bonding was carried through to the store design and the selling skills of the salespeople. Three of the shops served coffee and felt more like a café. Many of the shops encouraged their customers to host events at their shop.

“We are part of the local community . . . we have to be . . . we open up the shop for people to host meetings or discussion groups . . . they show up, conduct their business and vape while socialising . . . gives us the chance to get to know our customers . . . guess you could say we’re a social club that vapes” (Vaporized Shop)

The majority of respondents concluded that vape customers were initially focussed on two issues – price and education.

“It’s all about cost and education . . . once those two factors are clarified we stress the quality of our (vape) liquids . . . we have two sources, one in the UK and the other from America . . . our customers want quality . . . none of those Chinese knock offs” (Emporium Vapour)

Other key quotes:

“we have found the gender split equally . . . it’s the women who like the funky flavours and are more adventurous on taste . . . men can spend up to £100 on the vaping device, it’s mostly the men who buy the high end devices” (Dr Vapour Shop)

“a lot of our sales are for zero nicotine liquids . . . it appears that some customers therefore use these products as placebos . . . funny, zero nicotine is our fastest selling product” (Vapor Frog Shop)

Respondents confirmed that quality, taste and availability of vape liquids were the single most important factors determining a purchase decision. Locality of the shop to the customer allowed a loyal following supplemented by their online offerings. The most significant finding was the need to create an informed community that socialised and felt part of an accepted community that just happens to vape.

Recommendations and Conclusions

This study has examined the retail strategies that allow vape shops to supply products and product education to their customers. The value of this working paper is discussing the retail strategies needed to survive in an emerging retail sector that is selling products with dubious health benefits. The basis of such survival can be found in the sales strategies these retail shops have not only exemplified, yet perfected. The foremost strategy combines ‘localisation’ and superior customer service with passionate salespeople. This recommendation is further strengthened by the salesperson’s skills to support novice vaping customers and initiating customers to the ‘*community of vaping*’. As various levels of governments ponder legislation to restrict sales or even the usage of vape products local vape shops will continue to be a watershed of camaraderie and library of knowledge to support customers who are striving to maintain or lesson their addictions to nicotine.

Table of Recommendations:

1. Create a team of passionate salespeople who have detailed product knowledge
2. Ensure product availability, quality and choice
3. Form communities for socialisation and acceptance into the ‘ <i>cult of vaping</i> ’
4. Localisation: neighbourly ‘café-like’ and ‘club/membership’ culture
5. Design innovative communication opportunities for customers to share their experiences with a) sales staff b) customers in the shop c) on-line using the vape shop’s Facebook pages, blogs and interactive web sites

The local vape shop has become a beacon of inspiration and hope for both the nicotine addict and the customer seeking an alternative to tobacco. These shops have proven to be a safe haven of community, choice, value and comradeship that continue to flourish. Vape shops provide an alternative to tobacco sales and their retail strategies must be applauded as they continue to surpass the demands of their dedicated followers.

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