

nielsen
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STRATEGIC PLANNING DRIVING SUPERIOR EXECUTION

Lori Mills
September 2016

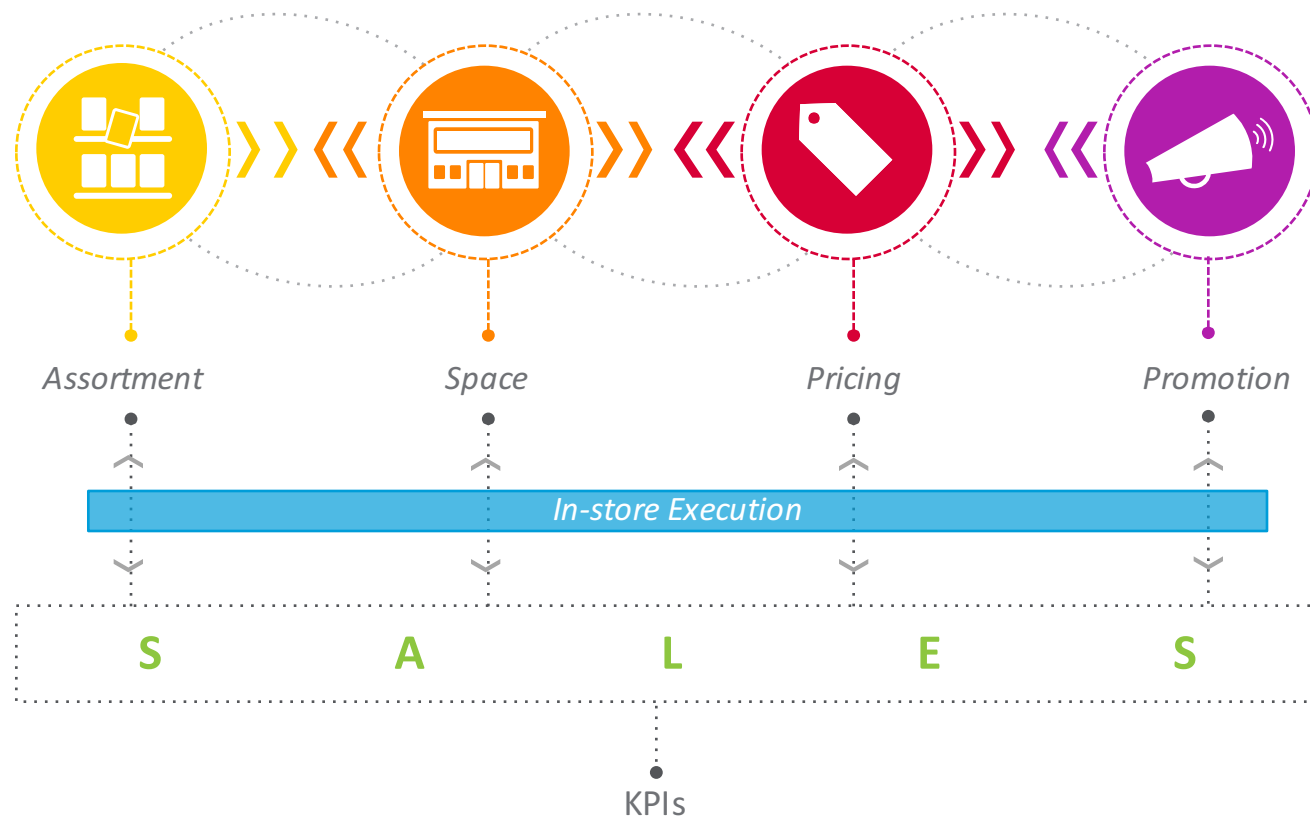
STRATEGIC EXECUTION GUIDELINES

Inputs come from everywhere - it can be hard to make sense of it all to deliver optimum plans



A CHANGE IN ONE LEADS TO A CHANGE IN ALL

Movements in these elements are inextricably connected, and so must be their planning



WHY IS THE SHELF SUCH A STRUGGLE TODAY?

COMPETITION FOR SHELF SPACE

CROWDED SHELVES



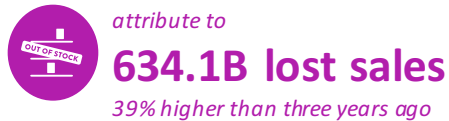
HEATED NEW ITEM RACE



*but 85% fail
and stole space from
existing items*

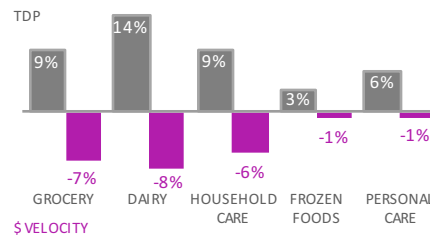
EXECUTIONAL FLAWS

OUT OF STOCKS



SKU GROWTH OUTPACING
SALES GROWTH

Top 5 Departments - YTD 2015



SHOPPER AND INDUSTRY SHIFTS

TRIP FREQUENCY DOWN



MORE PLACES TO SPEND

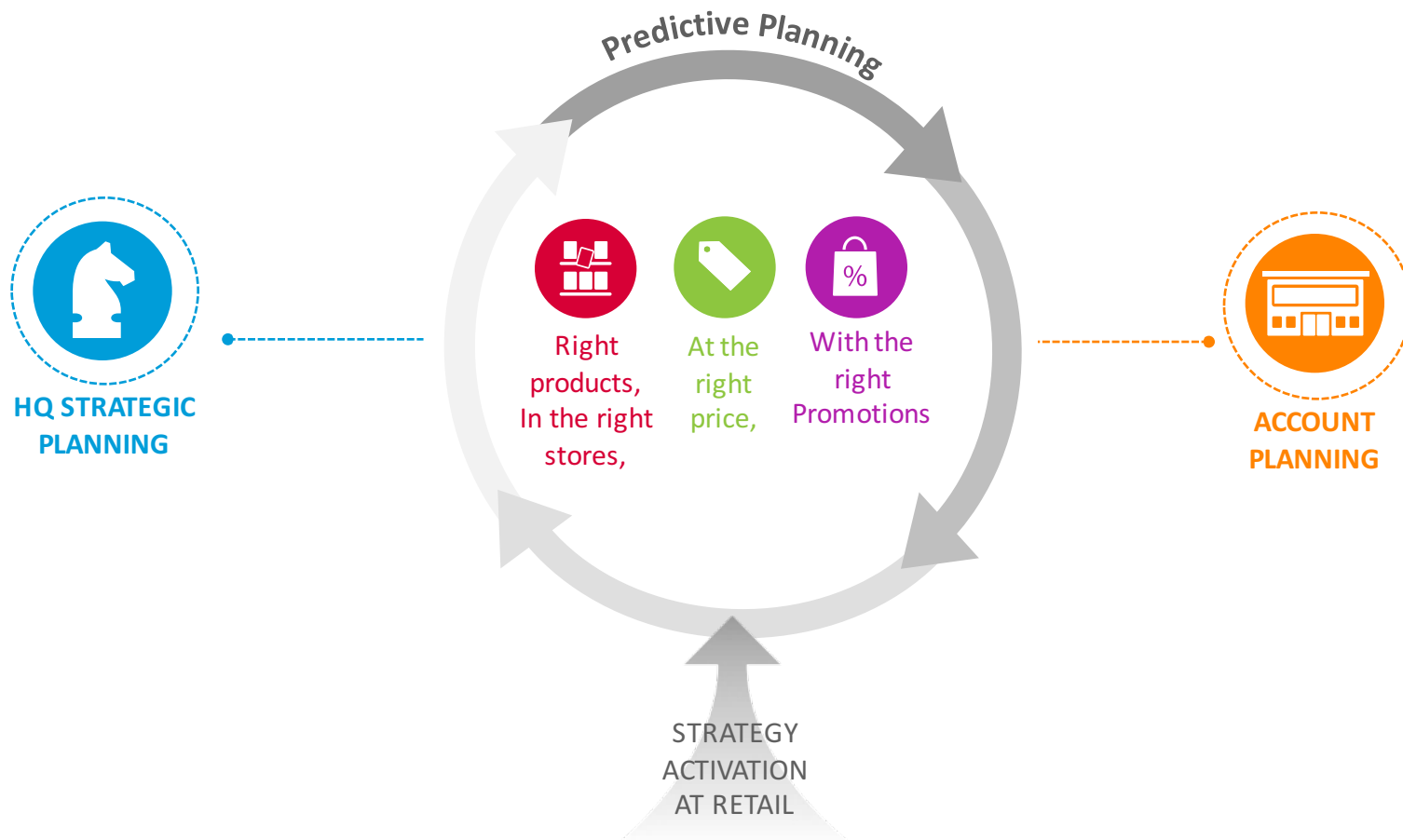
ecommerce
growth by 2020



70% OF PURCHASE DECISIONS ARE MADE IN FRONT OF THE SHELF

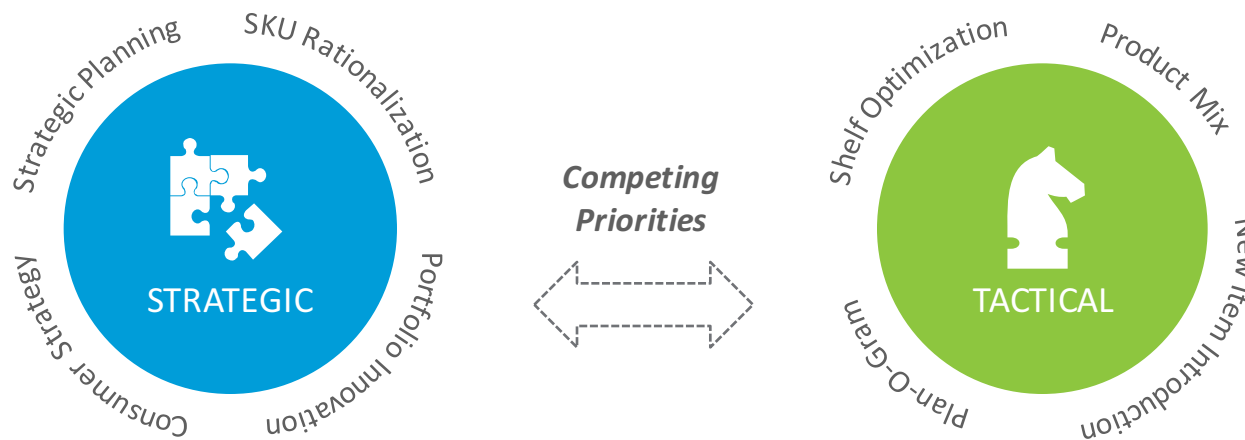
Source: 1) Nielsen Innovation Database 52 weeks ending 11/28/15, Food channel, 2014; 2) Nielsen Breakthrough Innovation Report, 3) A study conducted by IHL revealed that out-of-stocks cost retailers a whopping \$634.1 billion in sales worldwide, which is 39% higher than three years ago. 4) Nielsen Scantrack: xAOC YTD 2015 through 9/26/15 VS. 2012, 5) Nielsen Homescan - Total U.S. - All Outlets, All Buyers, All Brands (UPC), calendar years 2010-2014 and 52 weeks ending 10/24/2015, trips per shopper, 6) Nielsen TDLine & Nielsen Analytics; CAGRs (compounded annual growth rates -dollar basis)

TO WIN, YOU MUST GET BOTH PREDICTIVE PLANNING AND ACCOUNT EXECUTION RIGHT



COMPETING INTERNAL PRIORITIES

Misleading measures of success and market pressures lead to misalignment and accuracy issues

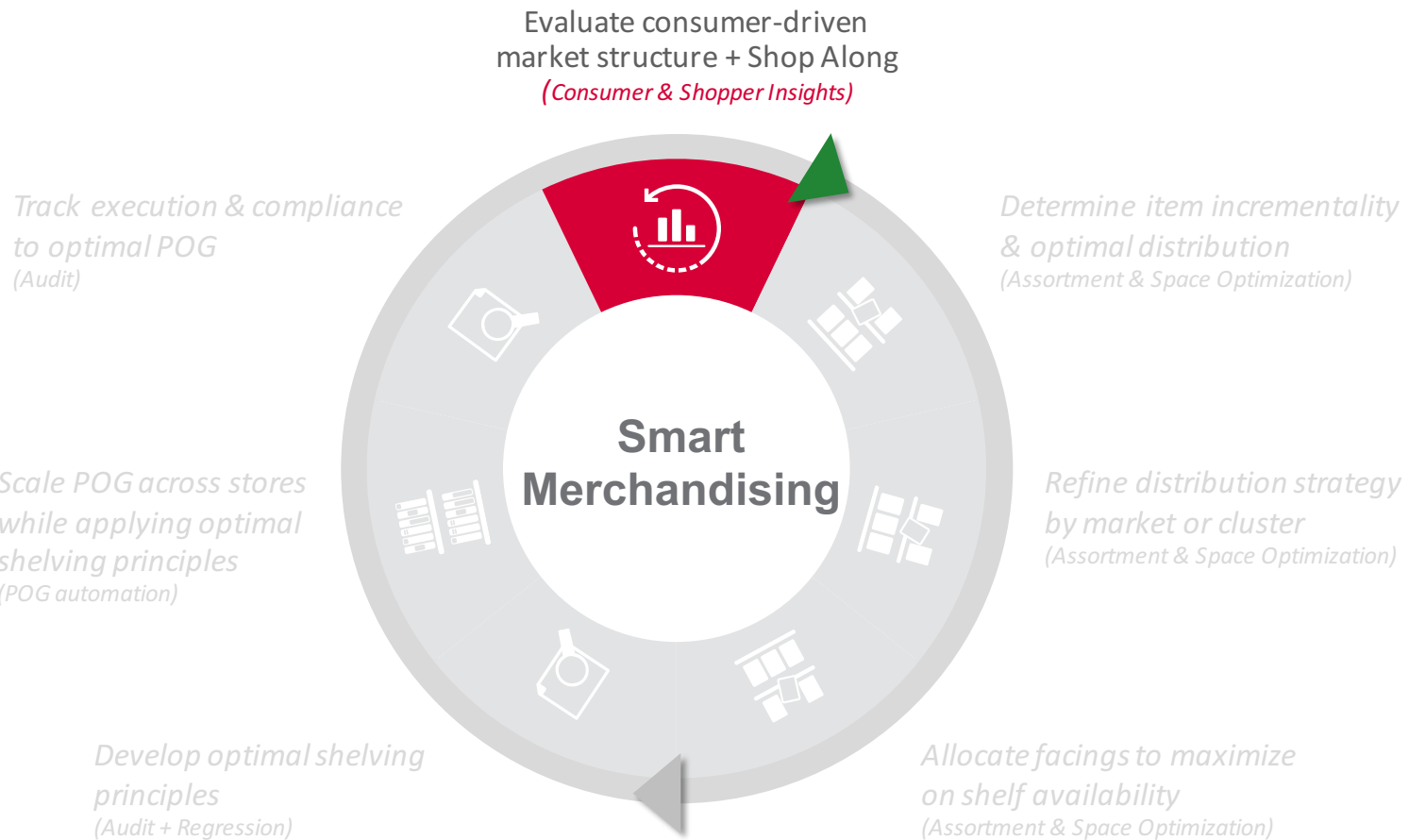


SmartMerchandising promotes collaboration across the organization creating a hassle-free process that allows stakeholders to solve key business issues quickly

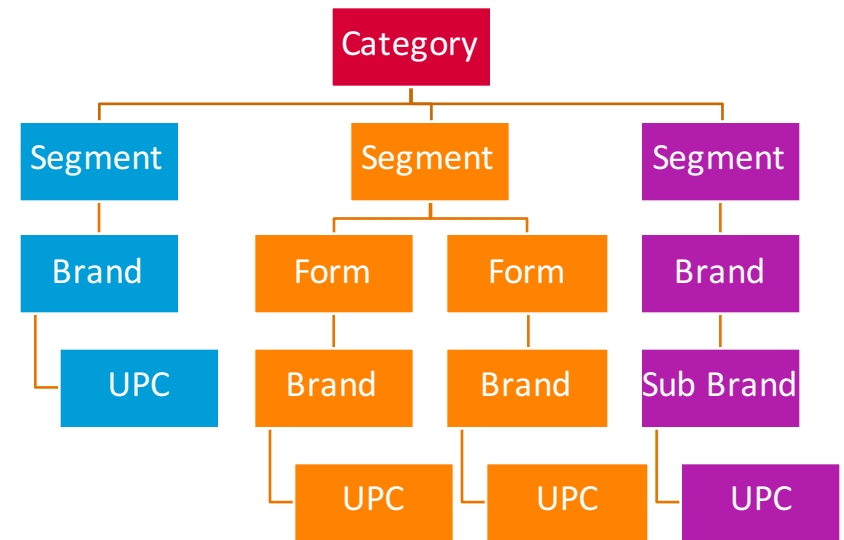
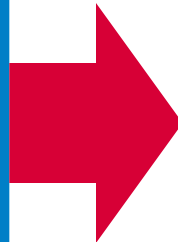
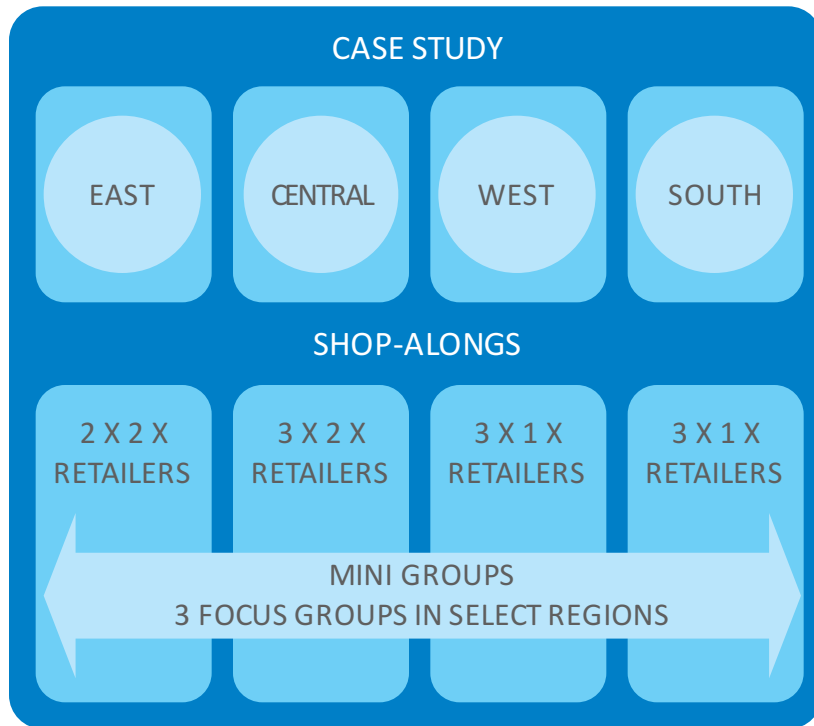
NIELSEN'S SMART MERCHANDISING CREATES INTEGRATED EFFICIENCIES & OUTCOMES



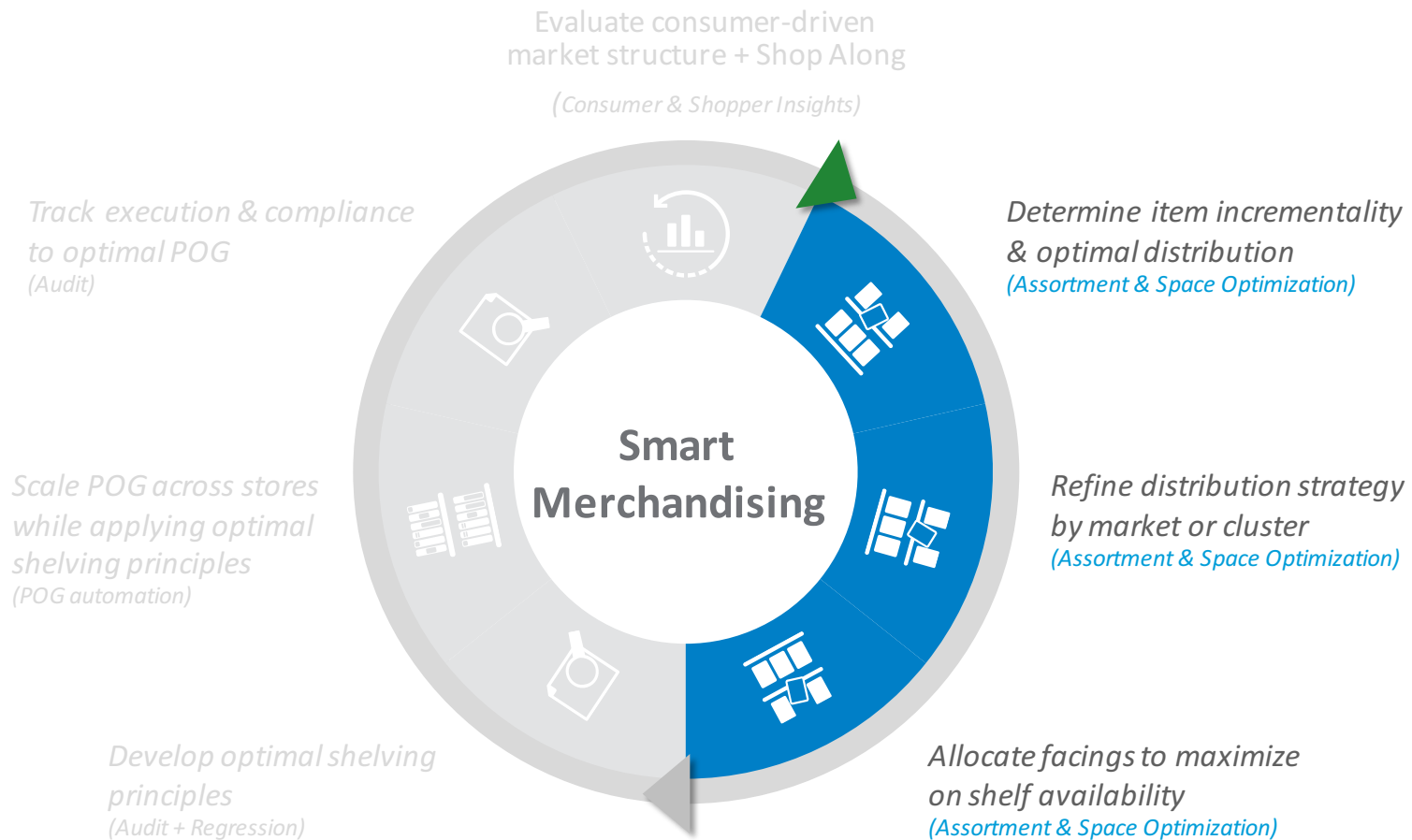
NIELSEN'S SMART MERCHANDISING CREATES INTEGRATED EFFICIENCIES & OUTCOMES



UNDERSTAND THE SHOPPER: NIELSEN QUALITATIVE



NIELSEN'S SMART MERCHANDISING CREATES INTEGRATED EFFICIENCIES & OUTCOMES

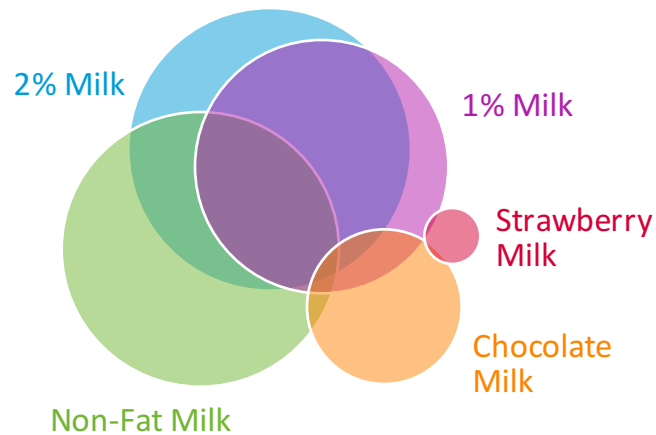


WHAT DO THESE PRODUCTS ALL HAVE IN COMMON?



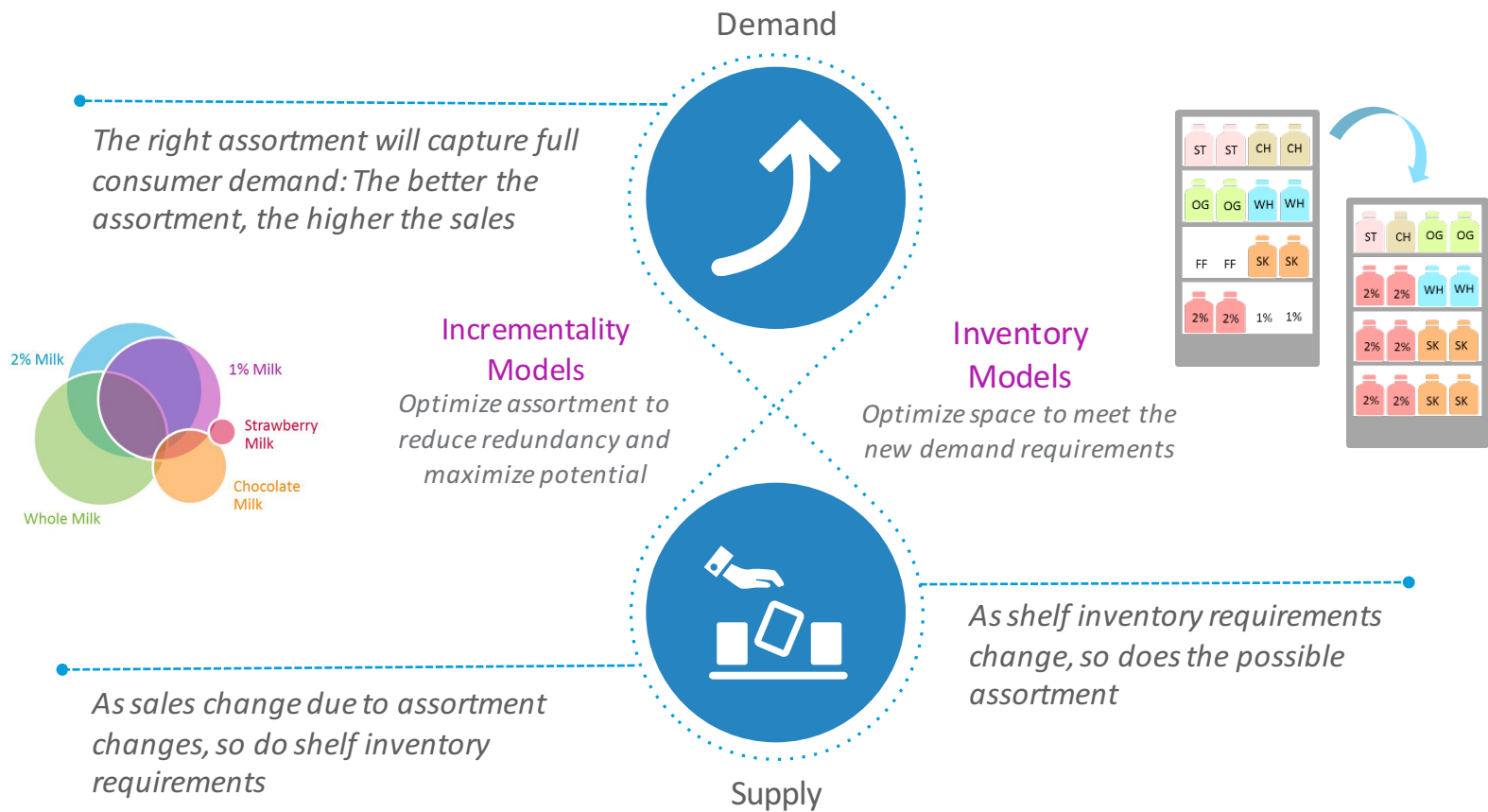
SALES RANKINGS DON'T TELL THE WHOLE STORY

Item/sales rank doesn't factor in true incrementality and leaves money on the table



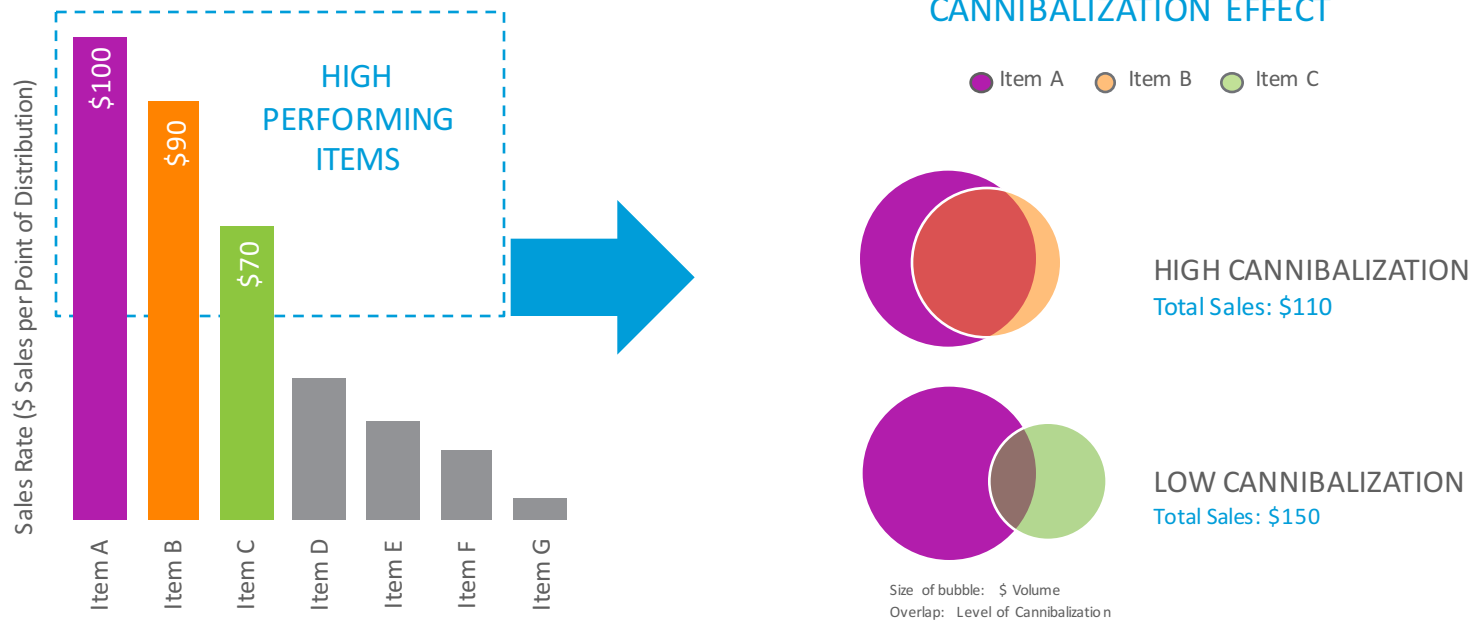
- 1% Milk turns fast but is highly cannibalistic with 2% Milk
- Chocolate Milk has lower turns but provides more incremental category contribution
- Strawberry Milk is almost entirely incremental, but its turns are so low that 1% Milk offers better incremental category contribution

DYNAMICALLY JOIN DEMAND AND SUPPLY, ASSORTMENT AND SPACE



DON'T TURN A BLIND EYE TO CANNIBALIZATION

Sales Rates are important, but how does it contribute to the category/brand/segment?

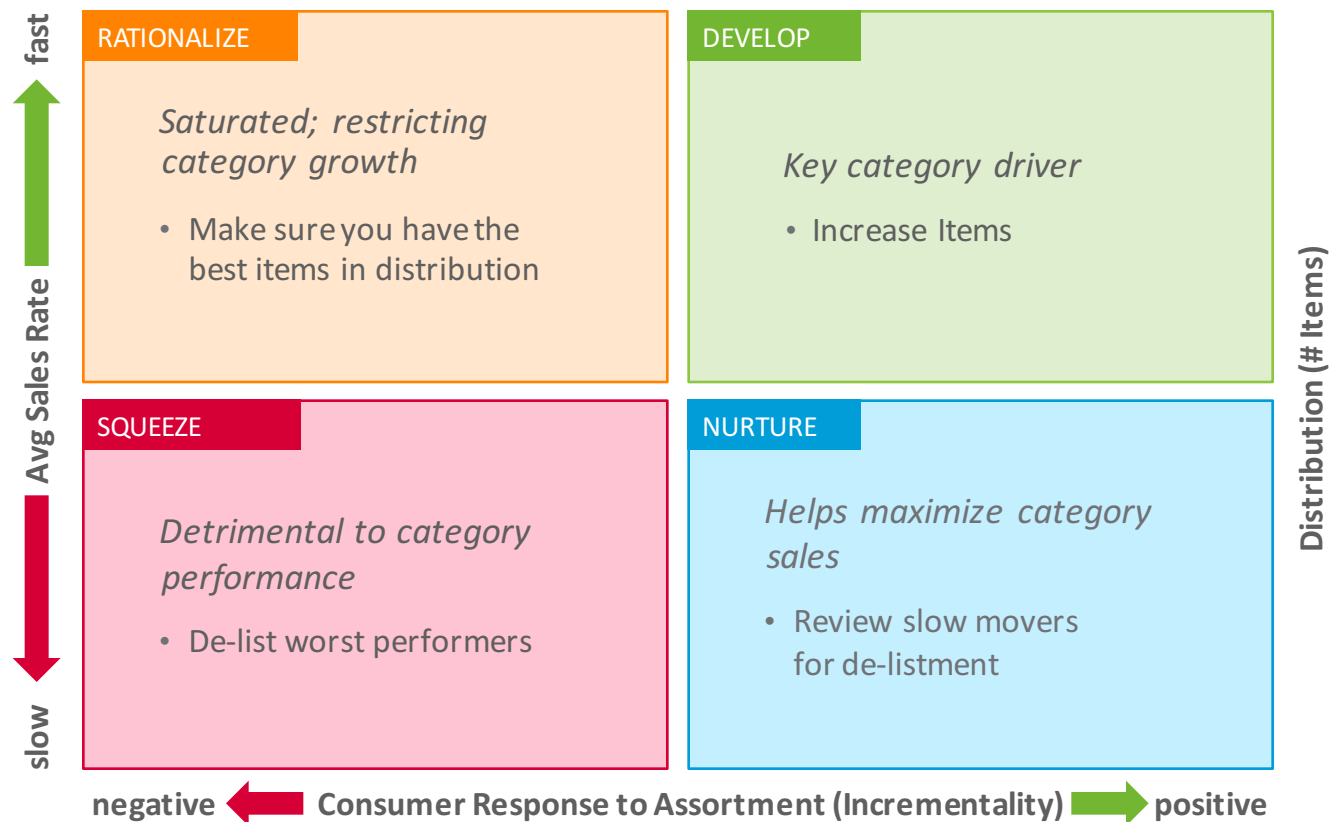


**GREATER CONTRIBUTION TO THE CATEGORY/BRAND/SEGMENT
(TRUE INCREMENTALITY)**

Sales numbers for illustration purposes only

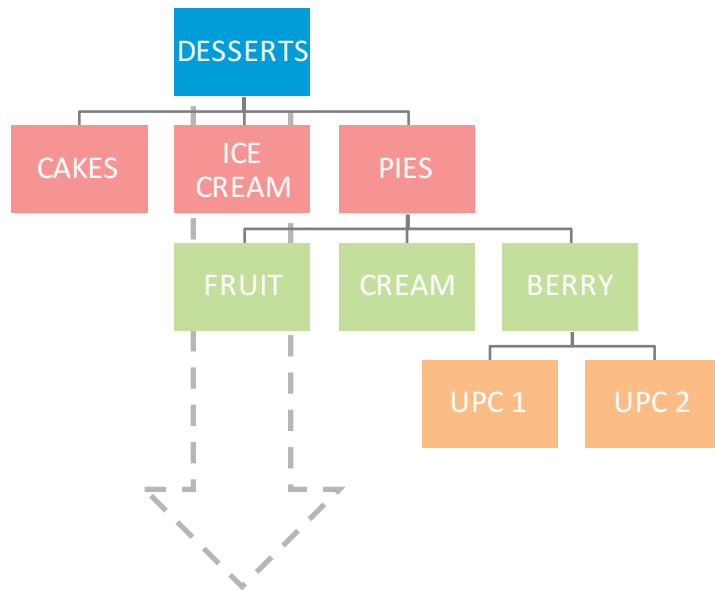
BETTER ANALYTIC FRAMEWORK

Combines rate of sales, consumer decisions and a true view of incrementality



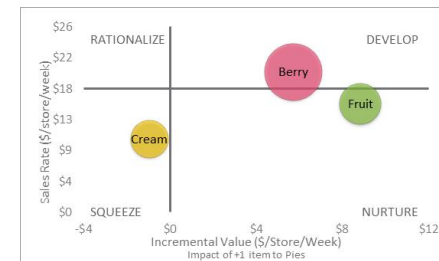
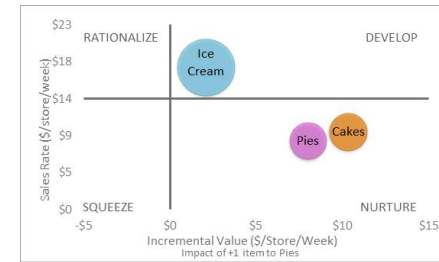
SIMPLE CONCEPT IN ACTION

How do sales vary based on delivered variety?

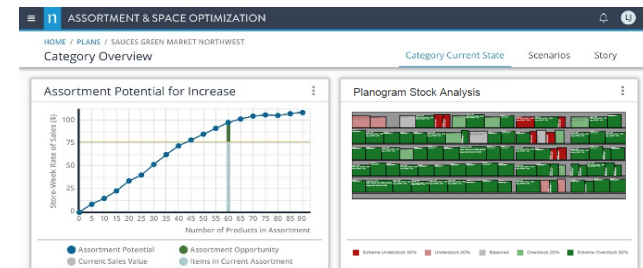


A SIMPLE, TOP-DOWN APPROACH
Do stores that carry a disproportionate share of Pies sell more or less Desserts?

Within Pies, is it better to carry more or fewer Berry Pies?



Which Berry UPCs are best?



REFINE DISTRIBUTION STRATEGY AT THE STORE LEVEL

Aggregate models assume all stores and banners behave the same

*Even under the same banner,
a store in one area can behave very differently than another.*

Variations in store size, regionality and consumer demand are not visible in aggregate models!



STORE 1
Banner A

- Rural
- Middle-income, white/non-Hispanic
- 12 foot set
- 98 active items
- Small Format
- Avg \$/week = \$1,402



STORE 2
Banner A

- Urban
- High-income, Asian
- 24 foot set
- 120 active items
- Big Box
- Avg \$/week = \$5,200

OPTIMIZE STORE LEVEL ASSORTMENT WITHIN THE AVAILABLE SPACE

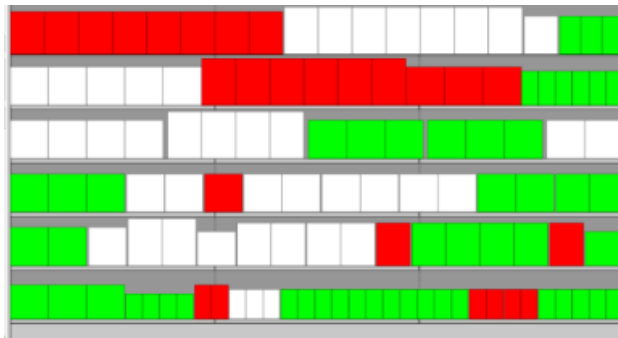
Iterative optimization algorithm will allocate facings to power SKUs while maximizing assortment variety

Wrong mix and stock by product

40 items

Potential Sales: \$5,990

Out of Stock Loss: **\$440**



■ Under-stocked
 □ Optimal stock
 ■ Over-stocked

Apply Inventory Model



Replenishment Schedule



Case Pack Out



Days of Supply



Safety Stock

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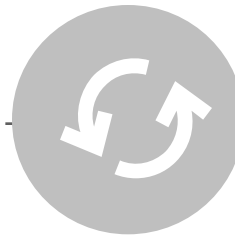
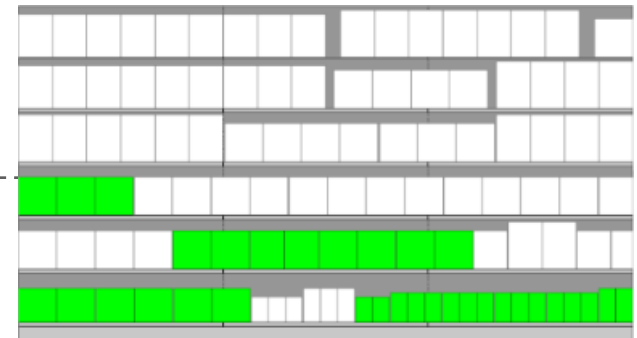


Right mix and stock by product

39 items

Potential Sales: **\$6,100**

Out of Stock Loss: **\$0**



■ Under-stocked □ Optimal stock ■ Over-stocked

NIELSEN ASO KEY BENEFITS

Helping you overcome key pain points for better assortment and space planning

SPEED AND INTELLIGENCE

- Optimize retail supply and demand simultaneously
- Just-in-time performance analytics
- Evaluate plan impact before you execute

PROCESS MANAGEMENT

- Accurate and accessible data
- Integrated and streamlined processes
- Access anywhere tools



Integrate assortment-based demand and supply



Maximize category demand while minimizing out-of-stock



Use analytics and software to bring simplicity and integrity to a complex system

NIELSEN'S SMART MERCHANDISING CREATES INTEGRATED EFFICIENCIES & OUTCOMES



AUDIT INSIGHTS HELP DEVELOP OPTIMAL SHELVING PRINCIPLES

SHELF EXECUTION PRINCIPLES AND PLAYBOOK



AUDIT INSIGHTS

Full-scale descriptive analysis with complete coverage



MODEL INSIGHTS

Focused & controlled scenarios that remove extraneous noise to determine impact

SAMPLE



1,800 to 2000 representative Stores
Typically including Food, Target, Walmart

FACTS



- Distribution
- Facings
- Linear Feet
- SKUs
- Shelving
- Blocking
- Flow
- Stocking Location

SHELF PRINCIPLES



Analytically qualified approach that defines winning principles based off current execution model

ISOLATE THE IMPACT OF SHELVING CONDITIONS SUCH AS SIZE, ADJACENCIES AND LOCATION

APPROACH:



- Detailed in-store Audit
- Requires sufficient lead time to ensure accurate execution (4 to 6 weeks)



- Audit universe customized to meet your needs
- Define sample size, geography, channels and retailers)



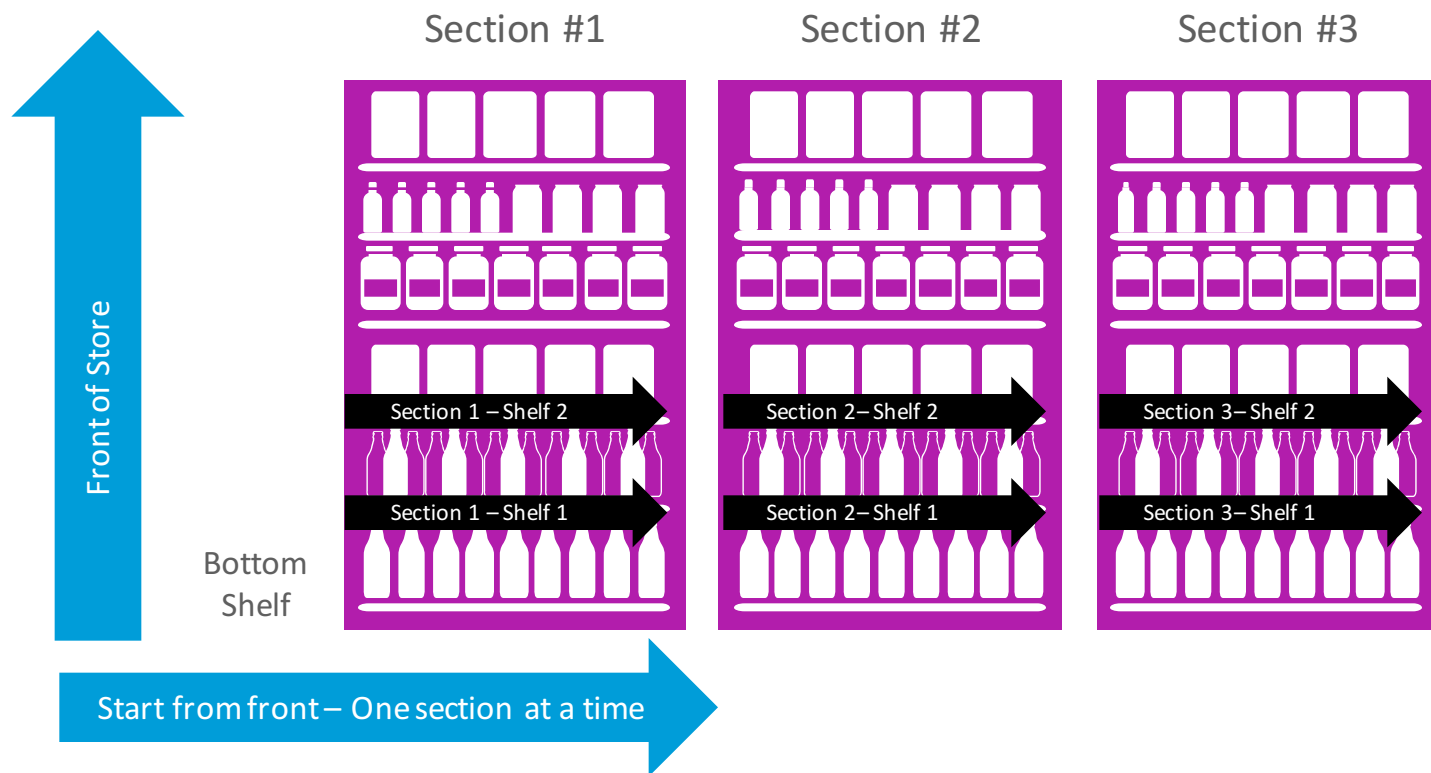
- Regression Analytics apply rigorous statistical modeling to audit results and store-level sales data



- Deliver Actionable Insights on:
- Shelving guidelines
 - Space allocation
 - Brand visibility
 - Adjacencies

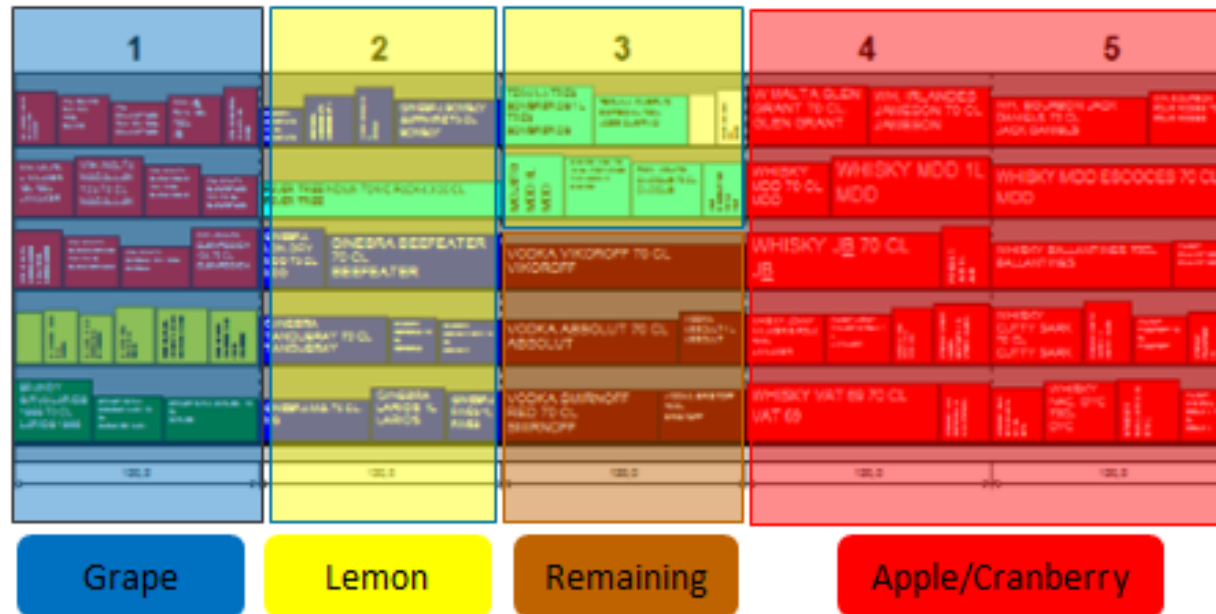
Space Optimization validates retail operations, merchandising and shelf location

SEQUENTIAL SCAN AUDIT METHODOLOGY



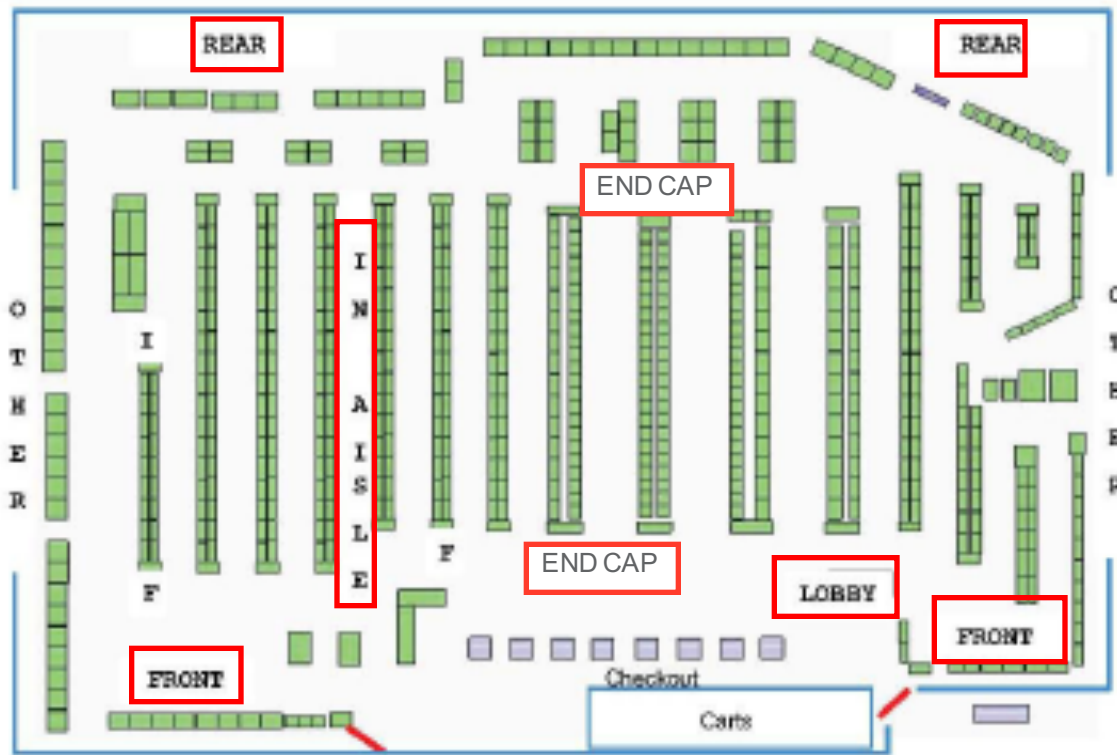
DEVELOP OPTIMAL SHELVING PRINCIPLES

Shelving principles integrated to develop an insight-based 'most common plan-o-gram'



PRINCIPLE	QUANTIFIED VALUE
Grape flavor leads the aisle	+2.8%
Apple/Cranberry anchors the section end	+1.7%
Aisle flow is left to right	+1.7%
PL always to the right of Brand	+1.2%

DISPLAY ANALYTICS

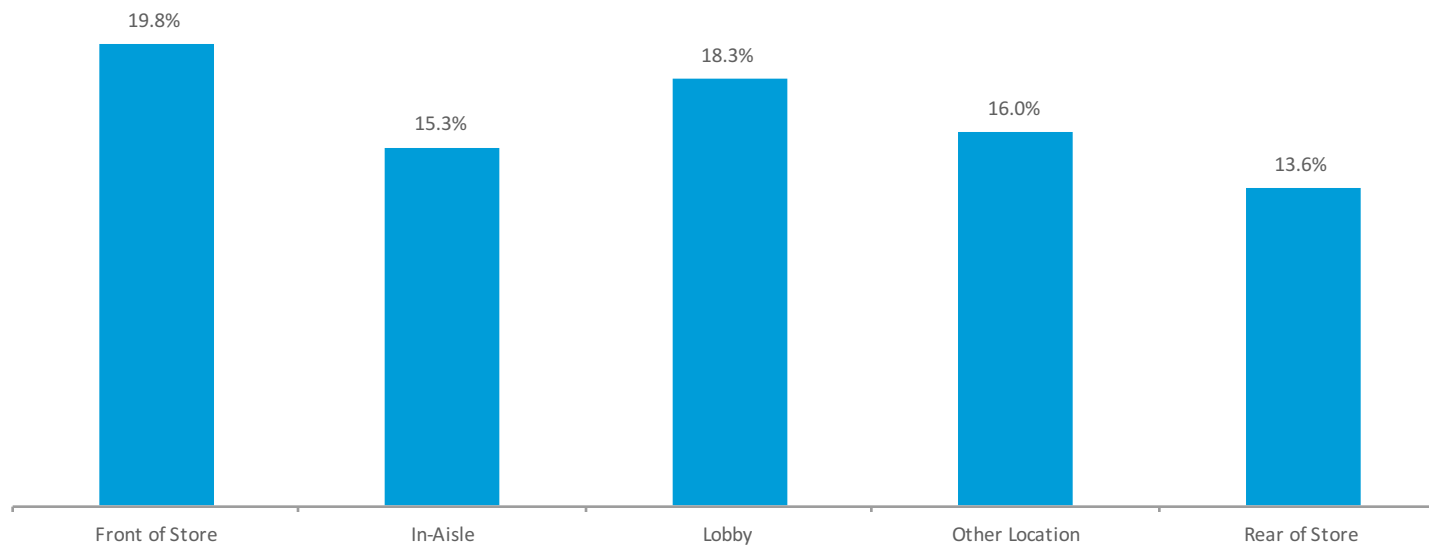


Are all displays created equal?

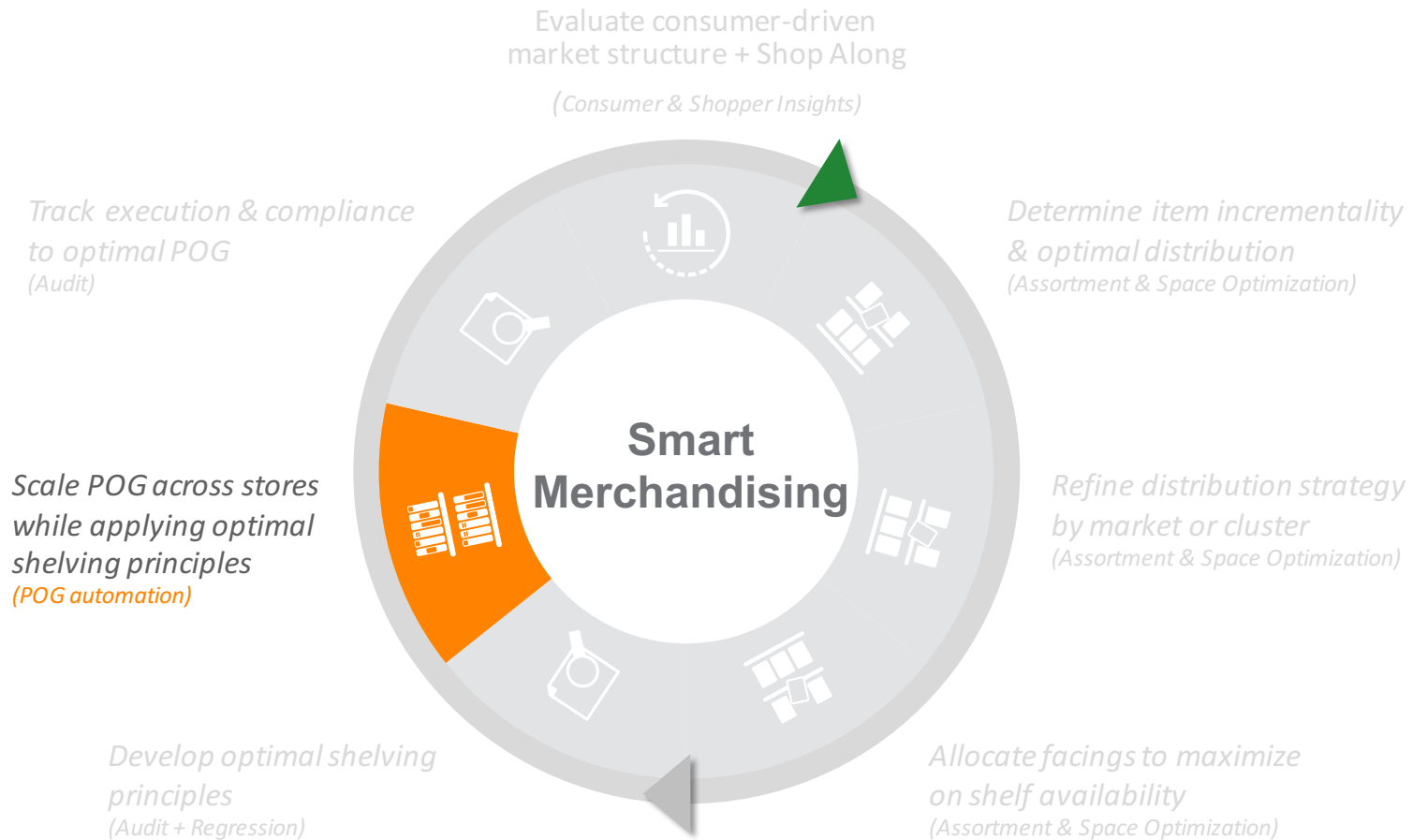
WHAT DISPLAY LOCATIONS DRIVE THE MOST RESPONSE?

Front of Store and Lobby drive better lifts than other locations but only by 3-5%

Category Display Location – Incremental Lift vs. TPR Only



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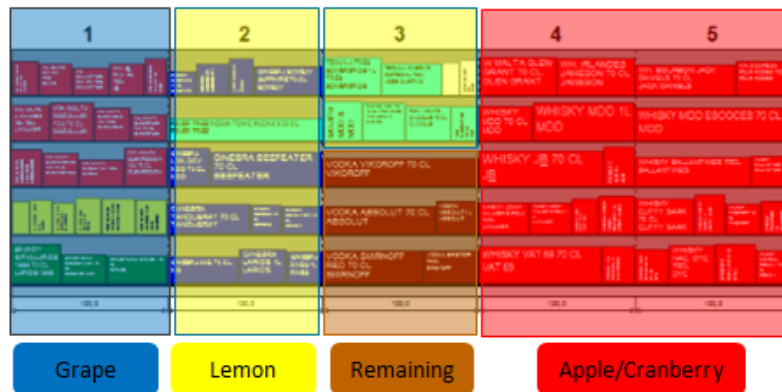


CREATE BEST PRACTICE POG – SCALABLE TO STORES

Nielsen’s proprietary software will apply the optimal assortment and shelving principles across 1,000’s of planograms and create unprecedented efficiencies for your team

create master plan-o-gram

Shelving principles integrated to develop an insight-based ‘most common plan-o-gram’



customize at scale

Optimal principles applied across thousands of POGs, taking into account store-specific shelving, linear feet, store sales, etc.



of brand facings will vary by store based on local demand

store 1

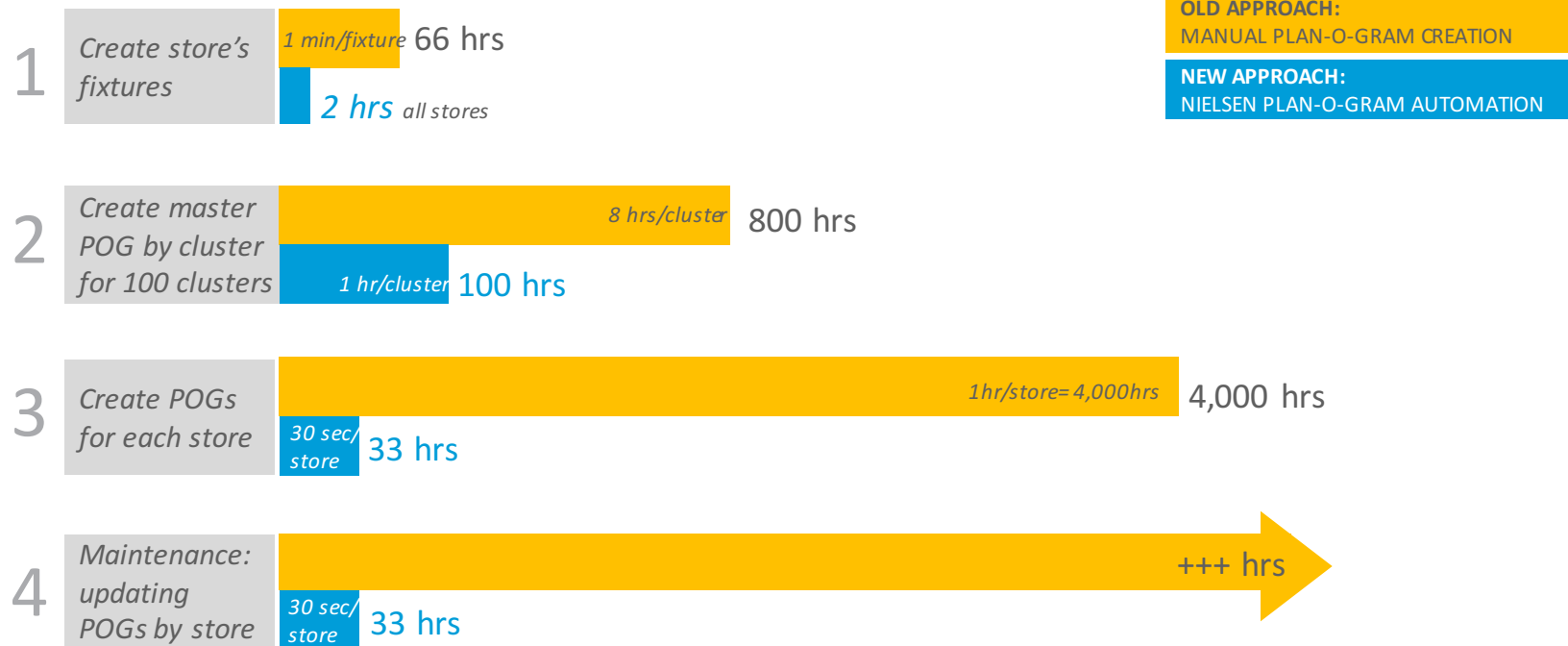


store 2



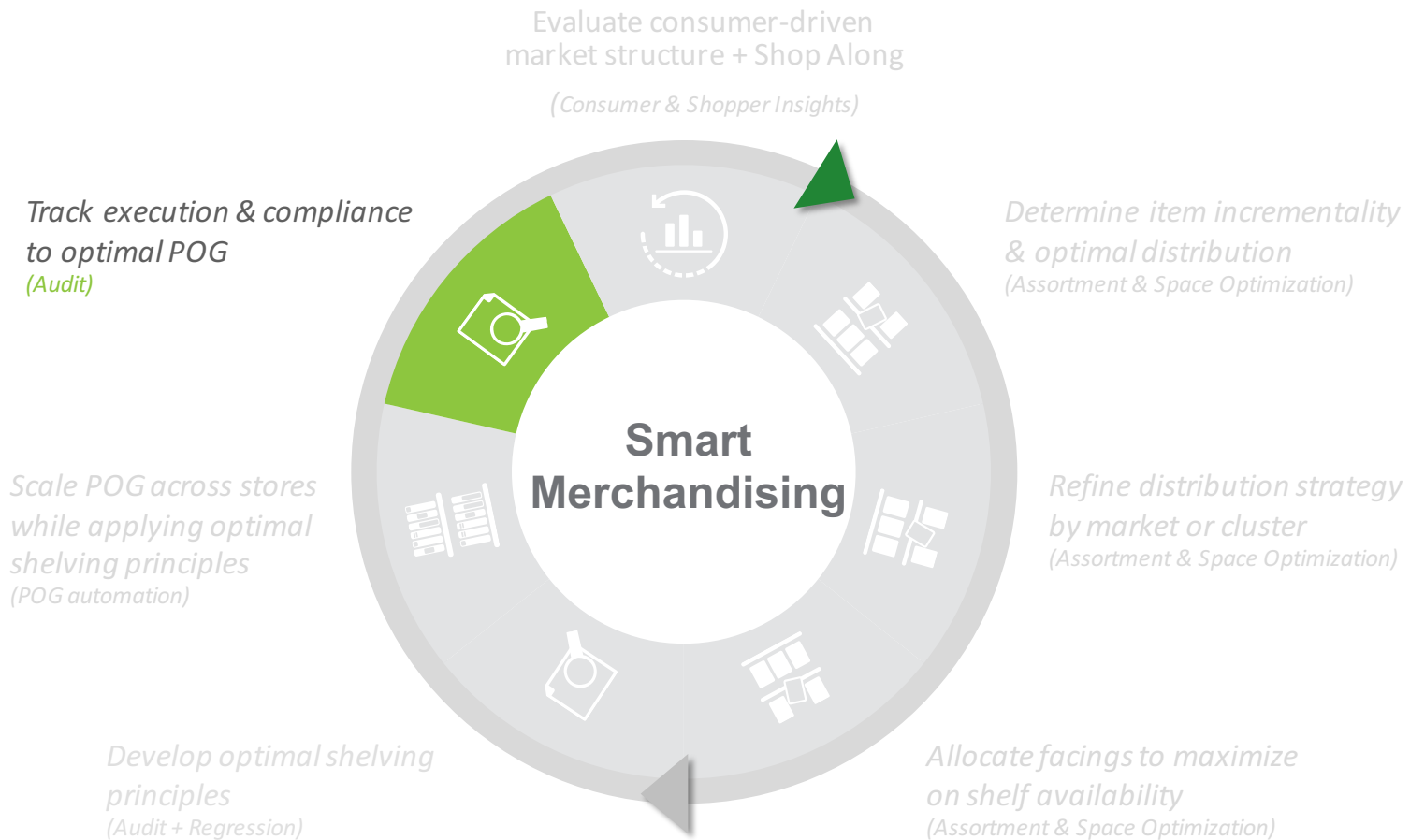
DEVELOP CUSTOM PLAN-O-GRAMS IN A FRACTION OF THE TIME

Use Case: manufacturer's plan-o-gram creation process for national retailer with 4,000 stores*



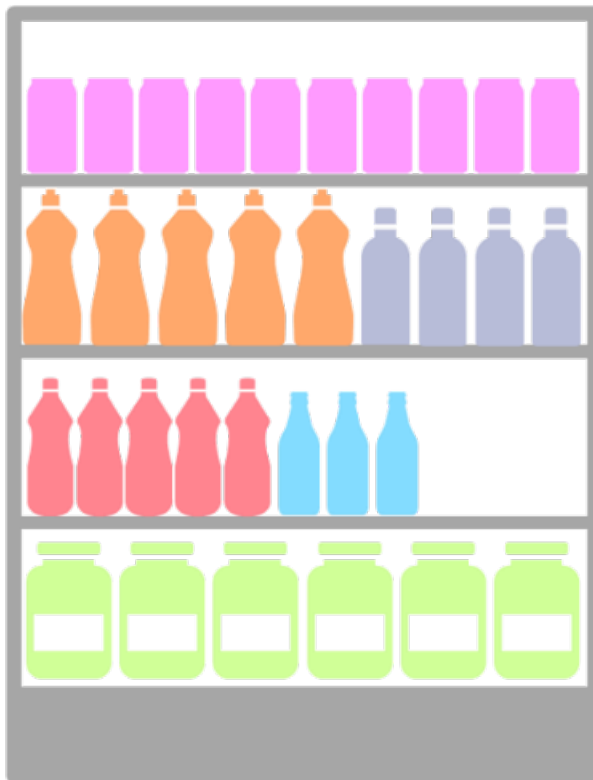
*This is an estimation based on an average category and average grocery stores.
This estimation could change based on each client characteristic (store's size, category's complexity, merchandising rules, etc.).

NIELSEN'S SMART MERCHANDISING CREATES INTEGRATED EFFICIENCIES & OUTCOMES



TRACK IN-STORE EXECUTION AND COMPLIANCE

Measure in-store conditions against your optimal plan-o-gram or display



SPACE

- Are your items out of stock?
- Do you have your fair share of shelf and facings?
- Is the shelf set consistent with the plan-o-gram?
- Have new items made it on the shelf?

SHELVING

- Do your items have the correct adjacencies?
- Is your product in the right location on the shelf (blocking, flow, driving categories)?
- Where is your category positioned in the aisle?

DISPLAY

- Are your displays placed correctly?
- Is your brand on display solo, or with partners?
- Is signage/branding included on the display?

IN-STORE AUDIT - NO “EASY” BUTTON

WHO:

- Third Party, Own Sales Reps/Broker, Syndicated?

WHEN:

- Monthly, Annually, Holiday?

HOW:

- Scan, Image Recognition, Questionnaire?

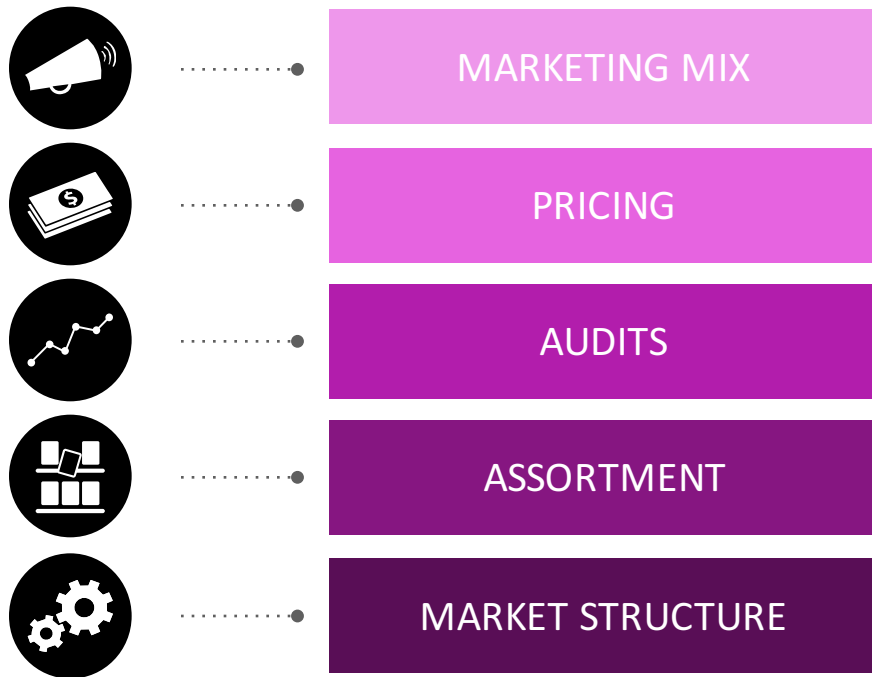
WHERE:

- Retailers, Channels, Non-traditional



CREATE A MULTIPLIER EFFECT

You can't make the right pricing/promotion/marketing decision for a product that's not on the shelf. It all starts with a SmartShelf.



?

What if you made the right assortment decision, then you made the right pricing decision based on that, and then...

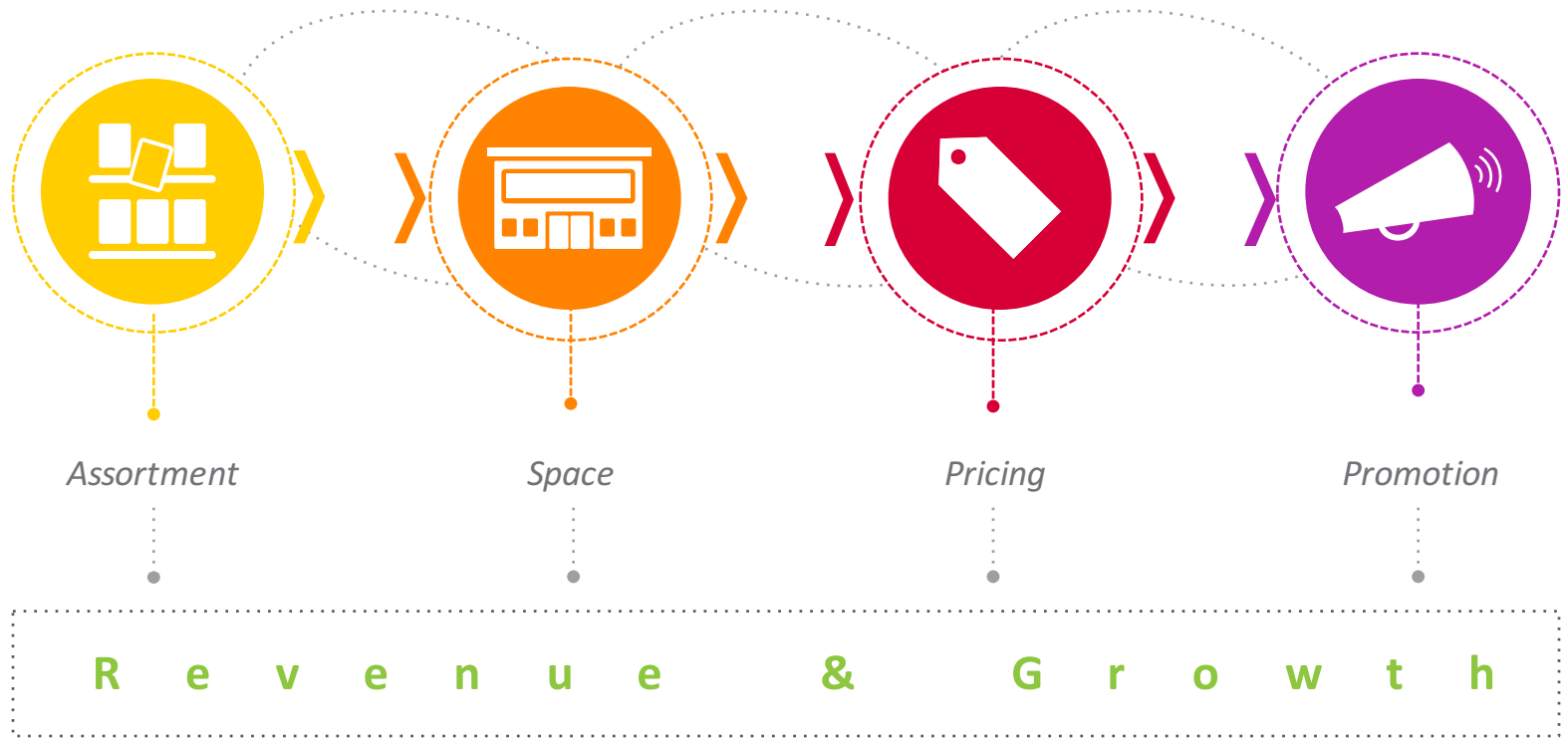
DON'T JUST TAKE OUR WORD FOR IT

Nielsen is proven to drive immediate value when integrating assortment with space

	BUSINESS UNIT 1	BUSINESS UNIT 2	BUSINESS UNIT 3	BUSINESS UNIT 4
RETAIL PARTNER	Atlantic Region Retailer	Central Region Retailer	National Retailer	Central Region Retailer
ISSUE	CATEGORY OPTIMIZATION	COMPETITIVE DEFENSE	BRAND CONSOLIDATION	AISLE EXPANSION
\$ IMPACT TO BU	\$6.1MM	\$3.5MM	\$2.5MM	\$0.7MM

"This project allowed us to relegate our competition and credibly show the category benefits of shelf space for our big bet innovation."

THE POWER OF INTEGRATED PLANNING



ADVANTAGES OF GETTING IT RIGHT

The power of executing at scale



Tailored to the specific shoppers in a store



Stock products that bring incremental sales; minimize or eliminate cannibalization and reduce redundancy



Spaced for maximum inventory and minimum out-of-stocks; understand velocity and opportunity cost



Maximize shopability



Ripple effect of positive outcomes for inventory costs, pricing and promotion

+8% sales

vs. aggregate optimization

+20% sales

real outcome for just one category at one retailer

Hundreds of hours saved

through more efficient space planning

TRANSLATE INSIGHTS INTO STRATEGIC PRINCIPLES

Actual Case Study: Maximize your assortment for the greatest return



Consumer & Shopper

How do consumers define the category?
What drives their choice?

THE VOICE OF THE CUSTOMER WAS HEARD LOUD & CLEAR

- Shoppers are...
 1. Open to engagement
 2. Overwhelmed by choice
 3. Confused by branding / messaging
 4. Missing connection with signage
 5. Connecting on the heritage of the brand

Incrementality

What is the true value that each item brings to the category?



Localization

What is the impact of adding and delisting certain items at the local level?



Items / Facings

What is the optimal assortment? How many facings should each item have?

REFOCUSING THE ASSORTMENT BACK TO SUB-SEGMENT B IS ESSENTIAL TO GROWING SEGMENT X

Assortment Optimization - 000000 - How do you do it?

Variable X	Sub	Item	Item	Item	Item	Item	Item	Item
SEGMENT X		254,215	257,205	+2,990	\$ 814,720	\$ 852,210		23.2%
Sub-segment B	GROUP	120,000	120,000	0.0%	\$ 340,000	\$ 340,000		
Sub-segment C	GROUP	134,215	137,205	+2,990	\$ 474,720	\$ 512,210		23.2%

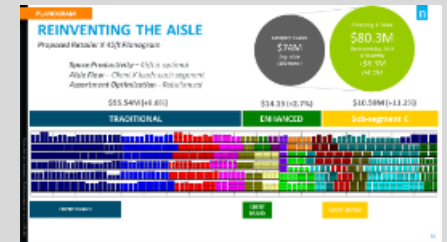
Adjacencies / Aisle Flow

What are the right adjacencies for my brand? Where should the product reside on shelf?



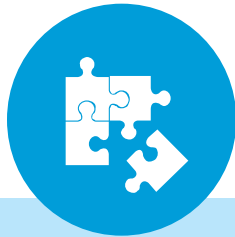
POG Automation

What is the optimal location for each product within each category segment?



COLLABORATE TO SOLVE KEY ASSORTMENT AND SPACE ISSUES

Overcome competing internal priorities to Maximize Category Demand while Minimizing Out of Stocks



PORTFOLIO
INNOVATION

SKU
RATIONALIZATION

OPTIMIZE THE
PORTFOLIO



INTRODUCE
NEW ITEMS TO THE SHELF

COMBAT COMPETITIVE
THREATS

ACHIEVE STRATEGIC
PARTNER/ CTG CAPTAINCY



UNDERSTANDING
CATEGORY DYNAMICS

MAXIMIZE CATEGORY
DEMAND

MINIMIZE
OUT OF STOCKS

Three Keys to Creating a SmartShelf: Analytics, Insights and Tools



AN UNCOMMON SENSE
OF THE CONSUMER™

IP Presentation ASO : 1:15 – 1:45
Montego D&E

ASO Demonstrations
Nielsen booth #103

