The Blueprint to Measure and Optimize your Shelf Strategy

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Recent client example shows opportunity with retail execution approaches

Space to sales index CHG vs YA: November 2016

	Segment	Clients' #1 Brand
Vodka	+1	-3
Rum	-	-9
Whiskey	+9	-
Tequila	+5	+42
Gin	+5	+3
Cordials	+5	-4

Issues/Opportunities

Manual collection

Untimely reports

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Cookie manufacturer can actively manage the shelf

Unit volume

3B

flat

Major brands

50+

SKUs

271

-1%

New items

18 2015

32 2016

17 2017
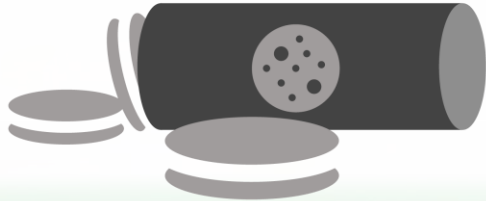
Issues/Opportunities

Product Availability
Are core SKUs on shelf?

Space Allocation
Is the brand positioned well in the store?

Display Characteristics
What maximizes promotions?

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3 simple principles yield nearly $100M opportunity

- Allocate 22% of shelf to 48 power SKUs
- Secure mid-level shelves for Brand A
- Prioritize front endcaps for displays

$99.5m

Potential category revenue improving execution of these principles

With 70% of purchase decisions being made in front of the shelf, *winning at the shelf* has never been more challenging

Crowded shelves

30,831 items

in typical grocery store

Heated new product race

20,000+ launches

of new products in 2008-2013 but 85% failed and stole spaces

Cost of Out of Stock

$54B

in sales losses were attributed to out-of-stocks

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But with so many shelf levers to sales, where do you start?

Location

Out of stock

Assortment

Share of Shelf

Shelf Placement

On-Shelf Availability

Power SKU's

Shelf Conditions

Planogram compliance

Displays

Promotion Visibility

Facings

Position frequency

NPD

Execution compliance

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Revisiting Retail Fundamentals

Space Allocation

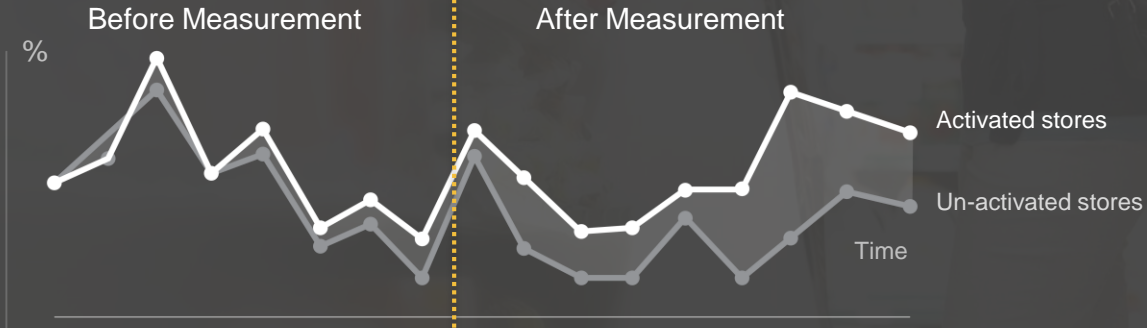How do I allocate more space when my brand is running a promotion?

Display Optimization

What display mechanics serves my brand best?

Shelf Placement

Where are the hot and cold spots of my brands on the shelf?

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Brands see 3-5% uplift with ongoing measurement

Allowing brands to address issues in a timely manner

Before Measurement

After Measurement

%

Activated stores

Un-activated stores

Time

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FMCGs need ongoing measurement to understand how shelf performance directly impacts product sales

On-Shelf
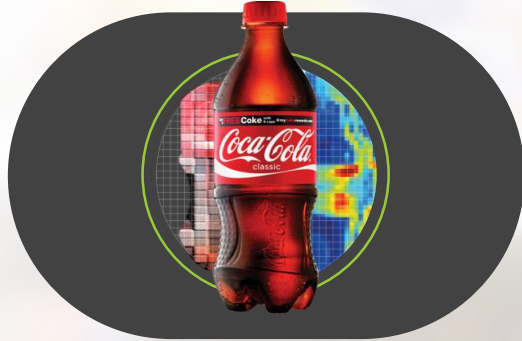Uncover shelf execution gaps and measure perfect shelf compliance
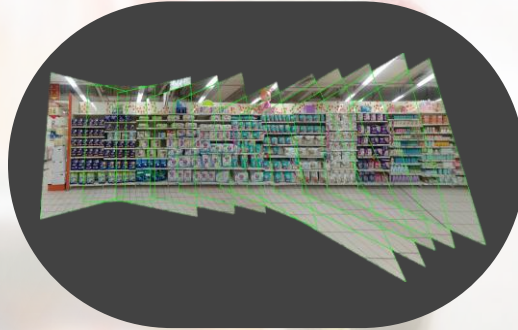
At Checkout
Ascertain impact of shelf velocity at point of purchase

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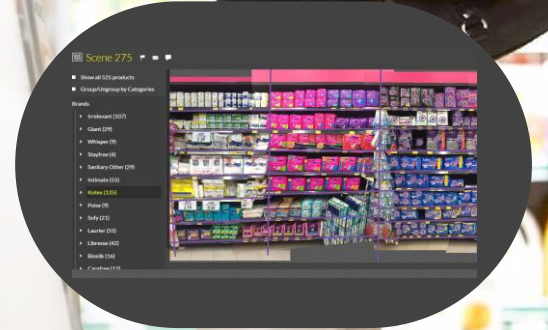and Retail Execution Journey
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Computer Vision is enabling brands to **digitize their retail reality** to unlock smarter shelf strategies

Advanced Computer Vision

Store Digitization

Data Discovery & Visualizations

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Fine grained recognition engine designed to overcome the challenges of the in-store retail environment

Algorithms overcome:

- Near identical products
- Reflective packaging
- Partially obstructed SKUs
- Poor photo angles

Our algorithms recognize images w/

96%+ accuracy

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Advanced stitching and geometry techniques to convert
in-store images into one holistic digitized representation of a store

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With a live retail engine, brands can continuously track the most up-to-date information on SKUs in the market

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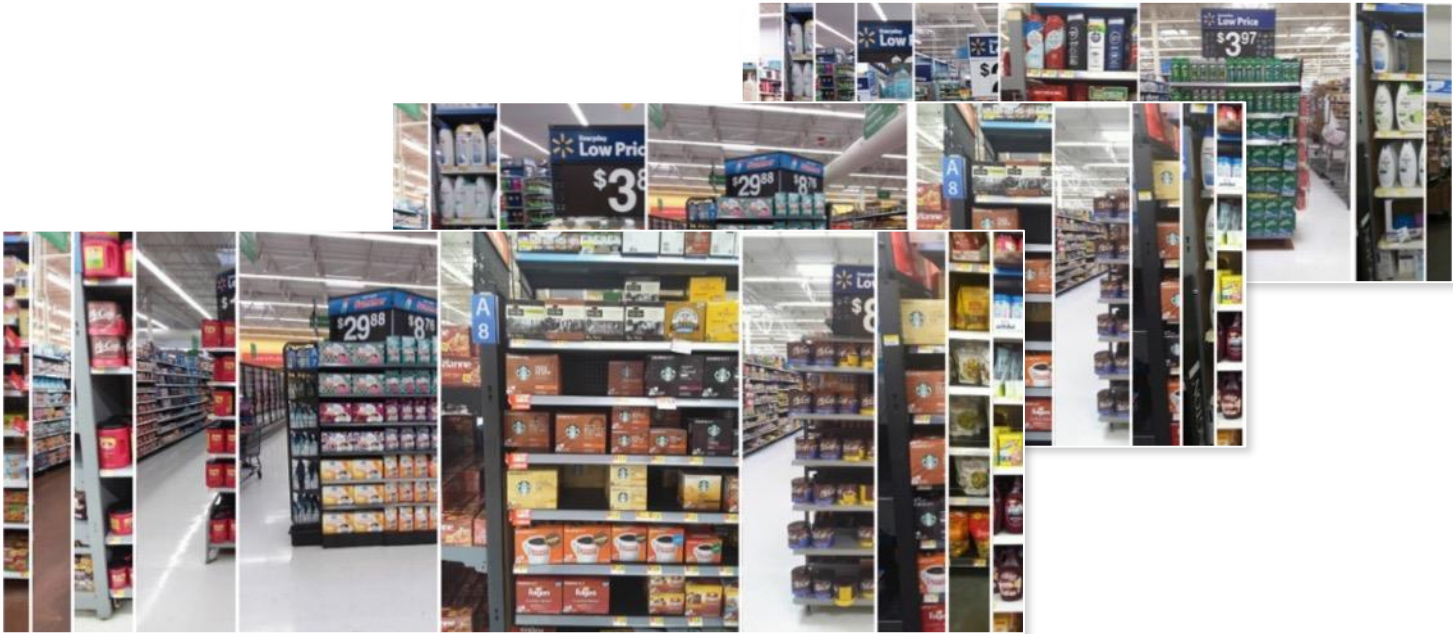
Trax and Nielsen Shelf Intelligence Suite delivers an integrated solution to continuously measure, optimize and influence your store strategy.

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Leverage shelf insights to quantify your levers to sales and enable optimal store activation

Space Allocation
Identify the optimal number of facings based on elasticity of SKUs

Display Optimization
Ascertain which display types are the most effective in store

Shelf Placement
Uncover optimal shelf placement with the highest propensity to increase sales

Retail Reality Check: Understand Shelf Space Elasticity and how optimizing shelf share at SKU level can drive incremental revenue

Space elasticity:

Different products have varied strengths of relationship between shelf space allocation & sales

Elastic products

Products that show a **substantial increase in sales** when more space is allocated to them.

Inelastic products

Products that **show little or no increase in sales** when more space is allocated to them.

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There is a point where increasing shelf space has diminishing returns on sales

Optimal shelf share:

A point of balance between allocated shelf & additional revenue generated by each SKU

Elastic products

Increase rate shrinks dramatically after a certain amount of space is allocated – **a pattern of diminishing returns.**

Inflection point:
The space each SKU requires to maximize its returns

Area of **productive returns**

Area of **diminishing returns**

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Opportunity gained by increasing shelf space for 18% of SKUs that were elastic

48 SKUs
identified in the category which were below inflection point and require additional
22% space

Total opportunity for gain - $61m

Area of **productive returns**

SKUs

Space

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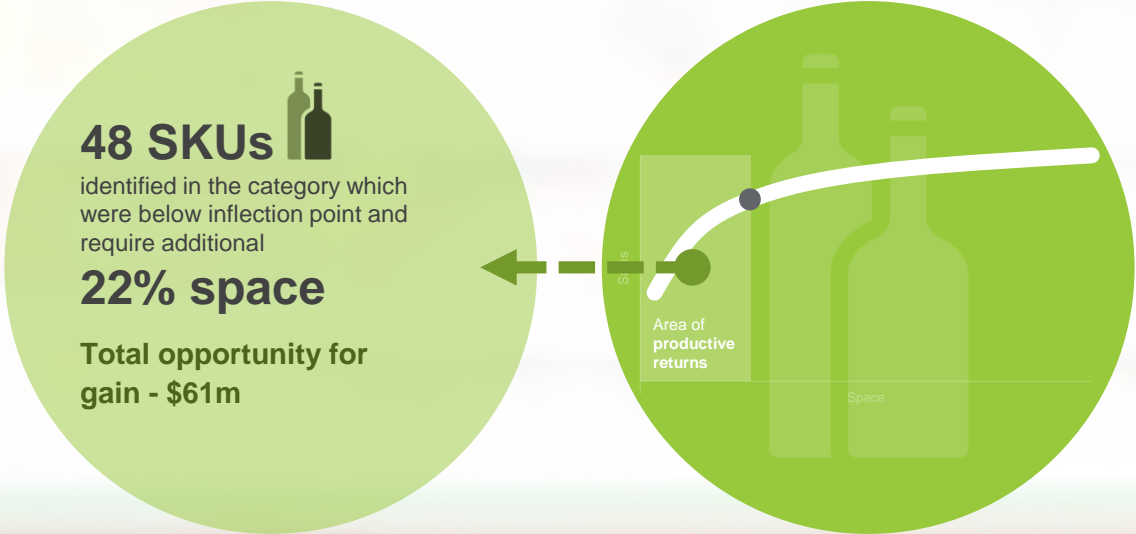
While optimising shelf space for 25% of the SKUs that were inelastic

48 SKUs identified in the category which were below inflection point and require additional **22% space**

Total opportunity gain for increasing shelf space $61m

Area of **productive returns**

Area of **diminishing returns**

Space

87 SKUs identified with shelf space above inflection point, thus providing an opportunity to release **22% space**

Total opportunity to optimize by deallocating space $23m

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Space matters: use it or lose it!

48 SKUs ⟶⟵ **87 SKUs**

Step 1:
Identify SKU's **below** inflection point

Step 2:
Identify SKU's **above** inflection point

Step 3:
Re-allocate shelf space to optimize return

22%
space re-allocation

Total Opportunity for gain – $61m
Total de-allocation cost – $23m
Net Opportunity – $38m

$38m
annual sales opportunity

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Retail Reality Check: Different execution displays are used in store, but which are the most effective for your brands?
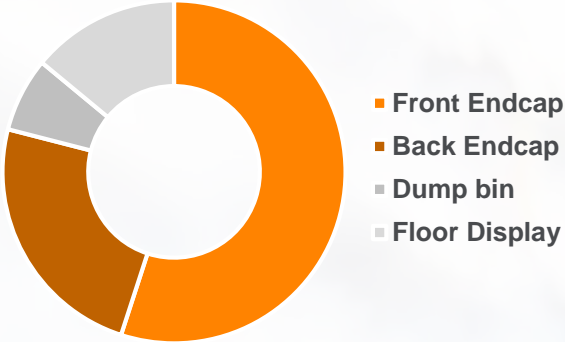

Front Endcap

Back Endcap

Dump Bins

Floor Display

In the category, there is a high reliance on Front Endcap & Floor displays

% Overall Share of Display

- Front Endcap
- Back Endcap
- Dump bin
- Floor Display

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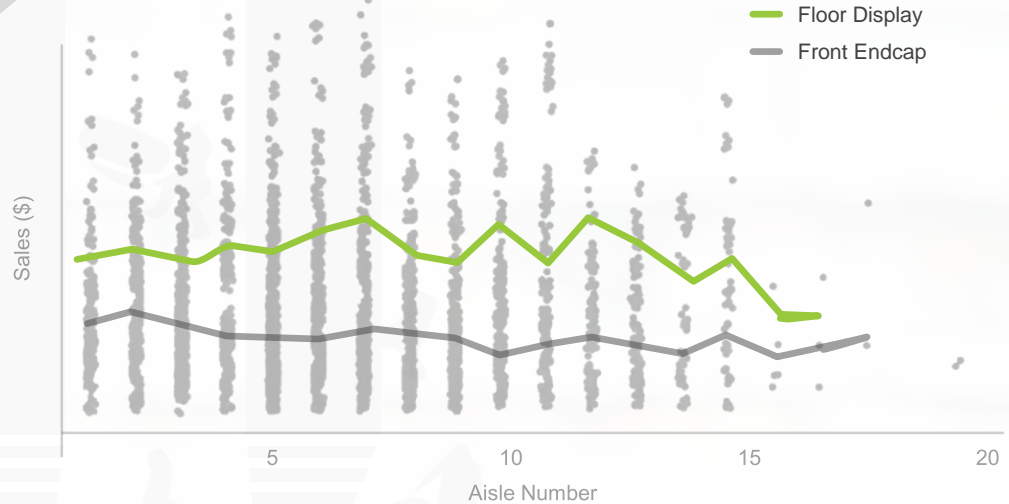# We were able to identify similar sales performance of Front Endcap and Floor Display

Display Type Effectiveness
Avg. Uplift per Week (%)

Floor Display	Front Endcap	Back Endcap	Dump bin
26%	22%	10%	6%

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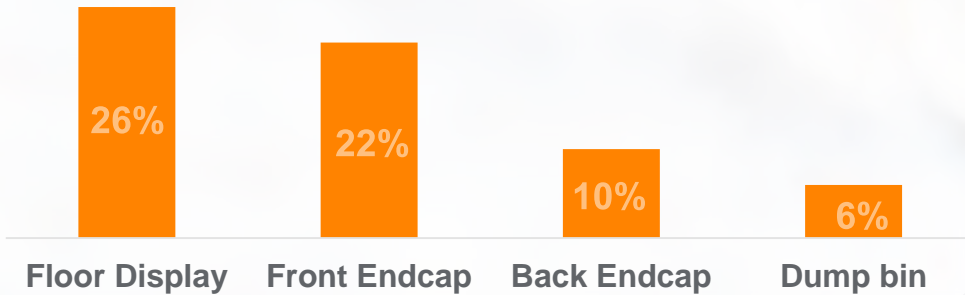
Floor Display is king over aisle location

- More than aisle location, **presence of Floor Displays** is more critical to driving category sales

Legend:
- Floor Display
- Front Endcap

Y-axis: Sales ($)
X-axis: Aisle Number (5, 10, 15, 20)

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Display execution compliance is sub-par at best

Evident **gaps** witnessed in display compliance for five consecutive cycles.

Significant opportunity to unlock by getting to agreed level of compliance for displays in stores.

Execution compliance   Execution non-compliance

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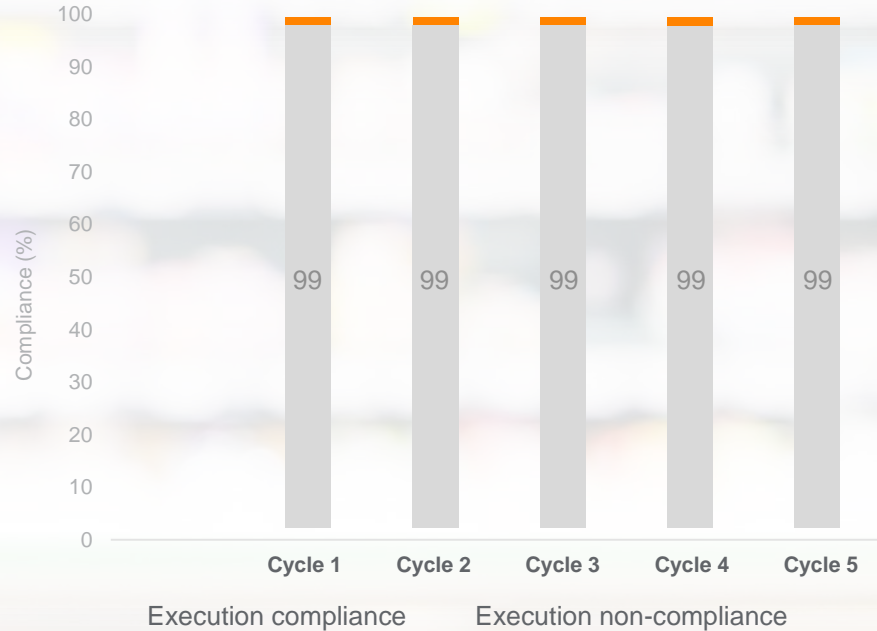
What's the Size of the Prize?

- **High reliance on Front Endcap and Floor Display** in stores boosting sales by at least 35% at overall category level

- Across brands, there are **evident gaps in display compliance.** There are cycles where it should have been 100% in stores

$9.5m
Attainable size of the prize if all category displays to more productive display types

$3.6m
Attainable size of the prize if Client brand achieves 100% display execution compliance

Building the baseline for comparison

Left   **Centre**   **Right**

Top

Baseline sales
per store/per SKU

Avg $72	
-2.7%	Top $70
+8.3%	Eye $78
+5.5%	Mid $76
-11.1%	Bottom $64

Average impact of
vertical position

Baseline sales
per store/per SKU

Avg $69	Left $68	Centre $72	Right $66
	-0.01%	+4.3%	-4.3%

Average impact of
horizontal position

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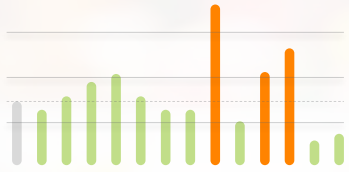Ensuring Your Successful TPx
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Understand what location each SKU performs best

We adopt a best first fit approach – SKUs are prioritized and placed according to those that perform best at eye level, followed by mid, top and bottom

Top

Eye

Mid

Bottom

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We started at
eye level placement

Average brand sales at **Eye Level**

Top

Eye

AA   BB   CC

Mid

Bottom

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26% potential sales uplift by optimizing Mid/Eye level shelf

		Base line Sales	Optimized Sales	Sales Uplift
Top	GG HH JJ	$49.15	$47.38	**-3.6%**
Eye	AA BB CC	$78.20	$116.36	**+48.8%**
Mid	DD EE FF	$67.80	$98.81	**+36.9%**
Bottom	KK LL MM	$34.50	$26.15	**-24.2%**
		$ 229.65	$ 288.70	**+25.7%**

Worst performing brands allocated to least profitable shelf, resulting in an expected reduction in average sales at the bottom shelf

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Get the shelf insights required to identify monthly shelf to sales opportunity

Space Allocation

Display Optimization

Shelf Placement

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For more information:

Trax
Matt Holland

Nielsen
Doug Bennett

Come see a demo:

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