

GOT IN-STORE EXECUTION?

Nope! Planograms drift. Resets get botched. New items never make it to the shelf. Here's what goes wrong, and what a group of experts thinks can be done about it.

BY WARREN THAYER



After his Tampa Bay Buccaneers fumbled and bumbled their way to a horrific loss back in 1976, head coach John McKay was asked by a reporter what he thought of his team's execution.

"I'm in favor of it," he said.

THAT STORY comes to mind whenever I think of in-store execution. We've spent years perfecting the perfect planogram, promotion, endcap and reset, but we still fumble on the 10-yard line with amazing consistency. Bring "the plan" for a promotion or reset into practically any store in America on a Saturday afternoon, and compare it with the reality in front of you. You'll be hard-pressed simply

to count all the fumbles.

What do leading industry thinkers believe might be at the root of the problem, and what new tools might exist today to help improve in-store compliance?

Mike Spindler, Dan Raftery, Dr. Brian Harris, James Tenser and Skip Corcoran were kind enough to spend time with me so they could share their ideas on what's wrong, and how we can all work together to fix it.

MEASURE IT, THEN FIX IT!

A new program using cameras and image recognition software is measuring precisely how bad things are on the shelf. It's not pretty, but it shows just how big the opportunity is for all.

Just over a year ago, Mike Spindler (mike.spindler@shelfsnap.com)

launched a unique merchandising compliance service using image recognition and analytics. It delivers shelf level insights from digital pictures of store conditions, and has measured merchandising compliance in dozens of categories and thousands of stores. Mike has extensive experience in merchandising innovation through his work at Nielsen, ems, MyWebGrocer, Gladson and Panther Mountain Companies. We chatted.



MIKE SPINDLER

How big is the opportunity to improve in-store execution? Or, just how bad are things in terms of store compliance?

Compliance very likely represents the single, largest source of substantial sales volume available to most trading partners, and it is largely already paid for. Resources are already calling on the stores, but plans aren't being implemented successfully or accurately. This is true everywhere, including the major players.

Studies we've done involving Walmart, Kroger, Safeway and Supervalu — which have the most sophisticated systems

in place today — show significant shortfalls on compliance. Among those four retailers, we found instances where 50% of displays had no signage. For new item launches, we often found assortment voids above 40%. And in a refrigerated planogram, we found 33% of items either missing or short-faced.

If you think about some of these statistics, it's obvious that this is costing everyone a lot of money. How much money is a function of how far things are off from the plan. But I can tell you unequivocally that it is in the double-digits, probably worth 10% to 20% of organic sales growth.

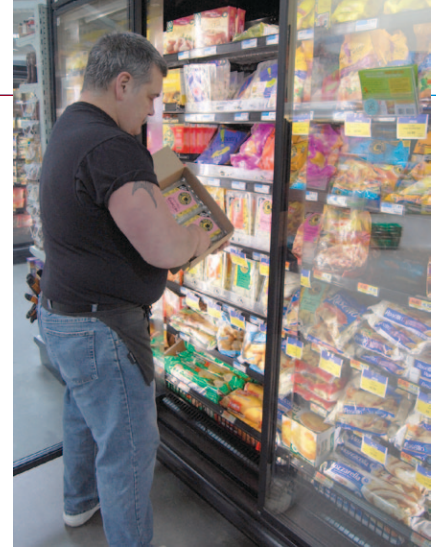
How are you making these measurements?

We're comparing actual store conditions using digital photos, which we call Snapograms, to the actual plan for that store. The photos are taken in the stores by retailers, brokers, manufacturers, third parties, or us. They are then fed into an image recognition program, and we can then easily compare the plan with the chaos that actually exists on the shelf. We can also quantify the value of the difference between the plan and the reality.

Not surprisingly we see results



Between 5% and 25% of planograms are executed as mirror images of what's intended. Yes, backwards.



For new item launches, assortment voids above 40% are common, even among top retailers.

that are consistent with the 60 or so studies that have been done over the past 20 years. Bringing the store back into plan compliance is a huge opportunity.

Many retailers are using store-specific planograms based on customer preferences in that store. What results are we seeing?

We have yet to see a Snapogram that matches the actual plan. Four primary deviations are in evidence in almost all stores: assortment voids, facings discrepancies, shelf position discrepancies and flow. —Assortment voids typically run between 8% and 20% on average across the chains. We see a few lower numbers, but the averages are surprisingly high, and individual stores can be much higher. To make a sports analogy, the average set is

executing its game plan with one or two players left on the team bus. Variety usually plays a pretty important role in satisfying particular customer segments so this gap has a very substantial impact on volume.

—SKUs with facing shorts and overs add another 10-20% discrepancy from the plan to most planograms or ▶ modulars. The primary

▶ role of additional facings is holding power. The plan is built to balance inventory and out-of-stocks. Decisions made at store to change the facings, may indeed be correct. However, given the number of adjustments, one has to wonder if all of those changes do not hamper the set from delivering the volume



Assortment voids typically run between 8% and 20% versus what plans call for, Spindler says.

expected from the plan.

—We routinely see 5% to 25% of all Snapograms that are mirror-images of the plan, with things that should be on the left on the right, and vice-versa. That is quite a bit of variance, so at least some consumers are encountering the set in a manner that is not ideal from a planner's perspective. The implications may also include ordering, truck or pallet load and shelf tagging.

When we combine some of the conditions such as assortment and facings, we can routinely see variances that are 35% and higher from the plan, as we did on average in one chain on a refrigerated category.

We find these variances across DSD and warehouse categories. We

find them on frozen, refrigerated, center store, HBC, and GM categories. We find that while there seems to be more discrepancy as time passes after the set execution, even very recent sets contain significant levels of difference from the plan.

Has display execution improved?

Actual presence of the display remains a significant challenge. Some chains have made real progress but we routinely see 35+% of the big chains missing the planned displays during promotions. Assortment holes for planned variety also impacts display effectiveness. It is not at all unusual to find a fifth of the planned variety not displayed, even when the display is present.

We have evaluated planogrammed displays as well. We found an almost perfect chain, which had the displays they were supposed to have by store, the correct variety, and almost perfect placement. However, 50% of the stores had not "signed" those displays. How much volume was impacted but for the want of a display calling out the special pricing?

Display cases dedicated to brands are often filled with private label or another brand's product. How widespread is this?

In one case for baking products we found 15% of the racks contained private label products.

In another chain, 26% of the facings contained private label product. Section

and category permanent signage is often part of the plan. In a refrigerated category, we found only 23% of one chain's stores had such signage. In another DSD category, we found



Retailers and manufacturers need to agree on the definition of implementation and compliance.

75% of the stores in a chain had such signage. Signage had been shipped to all the stores, and 100% of them reported putting it up.

What can be done to fix things?

We brought together a blue ribbon panel of thought leaders — including Dr. Brian Harris — which found that trading partners need to do four things to bring about plan compliance in-store. The four steps are:

- 1 Partners need to agree on the definition of implementation and compliance.
- 2 A decision needs to be made about which partner will be responsible for action at the shelf.
- 3 A feedback measurement that is indisputable and effective must be part of the program.
- 4 Determine if plan deviations based on local judgment are allowed. If they are, use the measurement system to drive communication of those changes back to the planners.

These seasoned executives also agreed that accurately implementing the in store plan has a very significant sales impact. ■

The white paper, Measure Twice, Profit At Once is available from Mike at mike.spindler@shelfsnap.com.



In a refrigerated planogram, Spindler found 33% of items were either missing or short-faced.