



## The Execution of Store Specific Planograms Must Be a Major Focus for the CPG Industry.

The idea of aligning category space, product assortment, product space, shelf location, facings and section “flow” with store sales, loyalty data and demographic profiling has been around for a number of years.

The benefits include customer satisfaction, inventory reduction, lower out of stocks, increased sales, freed up space, lower restocking costs and others. Store specific planograms done in lab circumstances almost always yield impressive results, particularly in the sales, inventory reduction and OOS reduction areas. In a conversation between ShelfSnap, Dave King from Nielsen and Doug Erickson from Galleria we agreed that the practice should be adopted across the board.

The adoption of this practice has picked up by both retailers and manufacturers. *This comes at no small cost as special software, additional data and in many cases additional labor is necessary to accomplish this effort . . . and that effort is ongoing and expanding.*

However, store specific planograms are subject to the same pitfalls and challenges as the category planograms that have been used for years.

ShelfSnap studies reveal that the *actual in-store implementation varies significantly from the store specific plan*. As many as one in four products is missing from the planned lineup in the typical store specific set. Additional variances in assortment, facings, adjacencies, shelf position and brand flow or “blocking” are prevalent. Sometimes, even the orientation is reversed (much more often than one would think!) These issues affect all of the big chains where most of the store specific planogram efforts have occurred, but is equally prevalent in small vs. big and warehoused vs. DSD categories.



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### In-Store Implementation Network

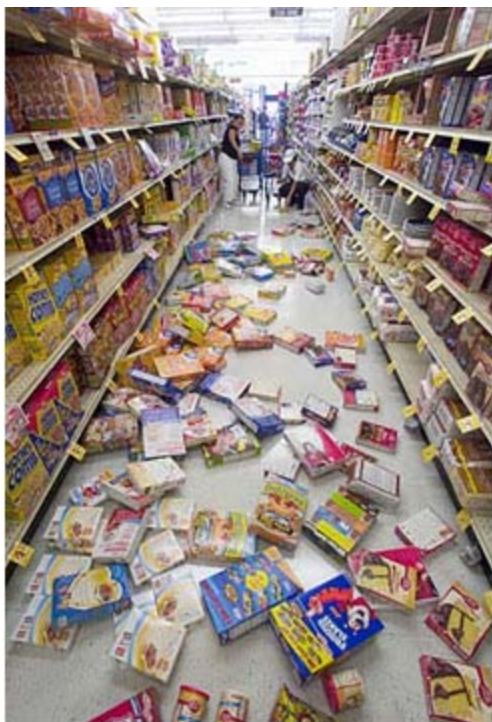
*“There is a lot to be gained in terms of sales, savings and customer satisfaction, and it needs to be done - one store at a time.”*

*In-Store Implementation Network*

## Store Specific Plans Can Make a Real Business Difference

Store specific planograms inherently require an ongoing expense for assembling and maintenance. But, why are these store specific planograms *failing* in practice? ShelfSnap uncovered two major causes:

The set was never implemented according to the plan. Most often this occurs because the plan is built based on *assumptions on the current store set* (category size, shelves, flow, orientation) and those assumptions turn out to be wrong. Today, there is no feedback loop to HQ to transmit size, flow, facings and product selections which have either changed or were never implemented according to plan in the first place. This is an expensive issue which taints the success of the store specific planogram and makes it virtually impossible to realize or correctly understand the successes and failures the store specific selection has enabled.



Planogram Drift

All product sections "drift" from week to week. Sometimes this drift is intentional (new item cut-ins), more often than not it is not. Procter pegged that "drift" factor at about 10% per week. Our results are similar.

The real root reason for these issues is store execution is not *measured* to check the correctness of the completed set. Often, the only feedback loop that exists is a yes/no checkmark on a task management tool.

A panoramic picture of the set is often taken, but this is never analyzed. There is too much data in the picture to be of any use to anyone . . . except ShelfSnap. No wonder the store continues to be the last, big untamed cost center in the CPG supply chain.

Unmeasured, store specific planograms *add* to this problem.

The Last Big, Untamed Cost and Profit Frontier, the management and mastery of the in-store merchandising environment lies within the grasp of those looking to seize the high ground. This Frontier represents the biggest single opportunity for additional sales that exists.

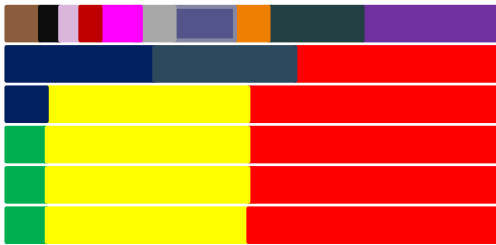
(see <http://brandedpantry.com/2009/03/17/last-big-untamed-cost-and-profit-frontier-in-cpg-retail/>).

## Fixing the Problem and Ensuring the Success of Store Specific Planograms

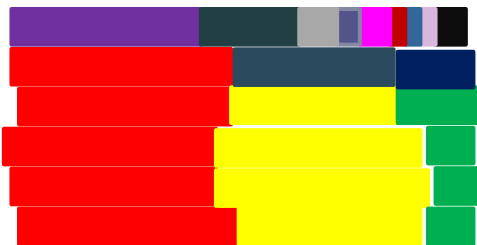
Fix Problem One . . . assessing the current schema prior to building the plan, is simple.

1. Take a picture of the current store set.
2. ShelfSnap determines:
  - a. The length of the set
  - b. Orientation
  - c. Product Assortment
  - d. Product Placement
  - e. Facings
  - f. Details any problems such as stock-outs.

Space planners will have an accurate basis upon which they can base their store specific models. Now the orientation, flow and size of the schema will be correct. This *allows* the plan to be accurate from day one, and substantially reduces the setting of the shelf.



Planogram Store A



Snapogram Store A - Implementation of Above Planogram

- 13.3% of Authorized SKUS missing
- 7% Unauthorized SKUS Found
- 33% of SKUS had fewer facings
- 27% of SKUS had more facings

Fix to Problem Two . . . *Set Drift* . . . is similar. Take pictures of the section immediately *after the reset in accomplished*. ShelfSnap will interpret the set and using our "POG Compare" tool will identify the variations from the POG in the Snapogram. The process of assessing category drift, should be repeated once or twice a year, depending on the velocity of the category.

These problems will continue to exist as long as decision makers are willing to accept the rising cost of supporting plans that are interpreted as "suggestions". Unmeasured efforts are unmanaged costs.

Prior to ShelfSnap the measurement of these activities were expensive and fraught with error and distortion. ShelfSnap, using the picture as the data input device, makes measurement and, therefore, management affordable, accurate and undistorted.

### ShelfSnap Goes to Bentonville!

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