The Executioners

Progressive Grocer, in tandem with ShelfSnap, assembled a panel of all-star industry experts to discuss the challenge of in-store marketing and merchandising execution.

By Joseph Tarnowski

Eighteenth-century philosopher George Berkeley, in his famous work, "A Treatise Concerning the Principles of Human Knowledge," wrote, "The objects of sense exist only when they are perceived; the trees therefore are in the garden, or the chairs in the parlor, no longer than while there is somebody by to perceive them."

Though Berkeley penned this line in 1710, we can apply it to the challenge of retail execution at the shelf. Indeed, a grocer may develop the best marketing and merchandising plans ever conceived in the industry, yet if the displays and signage supporting these plans remain in the back room and out of sight of shoppers, it's all for naught. Yet, billions of dollars in potential profits are unrealized every year because of poor implementation inside the store.

Merchandising execution has been an ongoing challenge for so long that many retailers believe near-total compliance is an unachievable goal. Issues such as determining responsibility for the shelf and a lack of systems for measurement and feedback continue to exist as roadblocks to attaining this compliance. And the wealth of new products entering the market each year just compound the problem.

To address this challenge, *Progressive Grocer* and Libertyville, Ill.-based marketing execution services provider ShelfSnap assembled an all-star cast of industry experts for a research panel, which ShelfSnap sponsored. The panelists were Doug Adams, president, Prime Consulting, Bannockburn, Ill.; Bill Bishop, chairman, Paul Weitzel, managing partner, and Jim Hertel, managing partner of Willard Bishop, LLC, Barrington, Ill.; Paul Christman, EVP, retail consulting practice, Winston Weber and Associates, Memphis, Tenn.; Steve Frenda, managing director-strategy and member development, In-Store Marketing Institute, Skokie, Ill.; Brian Harris, founder and co-chairman of The Partnering Group, Cincinnati; Lee Nichols, president and CEO of Dechert-Hampe, San Juan Capistrano, Calif.; Mike Spindler, CEO, ShelfSnap; and Glen Terbeek, managing partner, global food and consumer packaged goods industry practice (retired), Accenture, Chicago.

***Progressive Grocer:** How has in-store execution changed over the past two decades?*

Brian Harris: Things are no better today than 20 years ago. Some specific areas, such as new product implementation, have improved among some retailers, but there has not been a lot of positive movement overall. This is odd because not tackling implementation is self-penalizing for all parties.

Paul Weitzel: Our turns were 12.5 percent and our stock-outs were 8 percent 20 years ago, and they are the same level today. Costs have gone up, as have the number of shopping options consumers have available. It's a vicious cycle — more complex and daunting tasks with tighter labor budgets. One change is that the cost of losing shoppers is greater today by far.

Paul Christman: No question that things have deteriorated, especially with new product pressures continuing and the labor pressures retailers are experiencing.

Bill Bishop: Retail execution has deteriorated more than most people realize. One reason is that there has been no consistent and generally accepted measurement system.

Lee Nichols: Some of the programs that manufacturers and retailers are trying to do in retail are more sophisticated than 20 years ago, but actual compliance is not better. The retail environment is very chaotic, with tens of thousands of moving parts and with implementation often controlled by overworked, unmotivated, under-trained part-time people. The issue is not difficult to identify, but very difficult to solve.

***PG:** Many in the industry say that two primary causes of the execution challenge are that responsibility for the shelf is unclear, and there has been no effective feedback loop about deviations from plan on shelf. What are your thoughts on this?*

Steve Frenda: Just prior to the turn of the century, both parties abdicated responsibilities for the store. They went to the MSO broker model or to nothing. They ground down the cost and capabilities, and have not reinvested. Manufacturers have caused a good deal of the implementation issues, along with brand loyalty problems with SKU proliferation. You have 35 SKUs of Wheat Thins, 45 of Old Spice deodorant, 55 of Colgate toothpaste.

Weitzel: No one owns the shelf anymore. All players have abdicated just when more complexity has been added to the store. There is double the number of TPR tags per store today vs. 20 years ago. With labor costs being reduced, this hurts. The stock crew cannot even fill the holes at night.

Further, no one knows about the deviations that occur, so no one can keep score. Labor is traditionally one of the things that retailers and manufacturers can control, so they do.

Nichols: When I was growing up, our local grocer, Mr. Turks, knew my mom and each of his other shoppers. He also knew he was responsible for meeting her needs at the shelf. We have lost the ability to get close to those local consumers, given the cost pressures and the technology crutches that have evolved.

The problem is the sheer size of the effort and investment required to address the root cause of spotty — or worse — retail execution. Labor availability, cost, training, communication, coordination, lack of measurement and overall management challenges facing retailers in particular are the reasons this issue, long identified as a huge industry opportunity, has remained on the "too-hard pile" for too long.

Glen Terbeek: No real status information is sent or absorbed back up the food chain. Also, a sales representative is usually compensated based on shipments into the warehouse, not the store. Manufacturer marketing should have the responsibility for the product until it gets onto the shelf. Then they need to share it with the retailer. I believe that ECR took the focus out of the stores and put it on logistics and taking costs out. It was a manufacturer-driven approach, and it managed the business to an average rather than to the individual store or the consumer.

***PG:** Can you give us some examples of the different aspects and challenges of shelf compliance that you've seen in the field?*

Jim Hertel: Some retailers who have been able to maintain the focus in one area or another include Big Y, who has a core belief that they will display what they advertise. Sales results are two to three [times] the average retailer results on these products. Wegmans does in-store implementation across department lines pretty well. This month's recipes tie out to what a customer sees in the store.

Others, such as one of the big four who focused on displays for a while, saw temporary results, but cannot figure out how to audit or build the measurement into the process to effect permanent change.

Nichols: Clearly, new items and planogram

Steps to Compliance

Following the discussion on in-store execution, the panel outlined four steps retailers can take to begin improving their in-store execution compliance. The good news, according to panel members, is that the expense for dealing effectively in resolving compliance issues is largely already in place and already paid for. Here are the four steps:

I. Agree on the definition of implementation. Dr. Harris strongly recommends that this definition should be on the output side

a. What specifically should happen? (i.e., What is the physical evidence that the plan was executed?)

b. Where will it happen? (Which stores? What general locations?)

c. When will it occur?

d. Who is responsible for ensuring implementation? Done properly, this definition should include agreement that the plan is appropriate and, therefore, 100 percent participation in execution is expected

II. Decide on which partner will be responsible for action at the shelf

a. Depending on the event and the outlet, implementation will usually be the manufacturer's responsibility. If so, agreement on the definition of implementation needs to occur with whatever agent the manufacturer is using, such as a broker or marketing service organization

b. Ongoing maintenance will usually be the retailer's task. However, that should be explicit, as should the amount of time between implementation and allowing changes to that implementation to be made

c. Decide on the process to be used when the plan is not in compliance

III. Adopt a feedback measurement that is indisputable and effective. Think about it: If you had such a system in place, these execution issues would not persist

IV. Determine if plan deviations based on local judgment are acceptable. If they are acceptable, how will deviations be communicated back to the planners?

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