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Executing the Best Planogram

Even the most well thought-out planogram will be undermined swiftly if poor execution and inefficient maintenance creep into the equation.

By Mark Shapiro

IN TODAY'S COMPETITIVE ENVIRONMENT, IT IS ESSENTIAL that you remember the old adage that 70% of purchase decisions are made in the store. Beyond the obvious impulse purchases, your customers are often forced to make an instore decision if they encounter an out-of-stock situation or if they can't decide between the multiple brands in a category or if the purchase of one item triggers the desire for a related product, such as purchasing a soft drink after selecting a snack.

A thoughtful, goal-driven planogram can guide in-store decisions by ensuring that the fundamental "rights" of effective merchandising—having the right product in the right place in the right quantity at the right time—are taken into consideration.

But even the best planogram will produce less-than-optimal results if that planogram is not executed accurately and in a timely fashion, or if ongoing maintenance is ignored. This is no small problem. A **National**

Association for Retail Merchandising Services (NARMS) benchmark study conducted in 2000 pointed out that 44% of the stores examined were unable to successfully execute their planograms within 13 weeks.

Problem: What Can Go Wrong

Recognizing what can—and oft en does—go wrong in the initial set-up phase and during the regular maintenance process is the first step in ensuring that your candy and snack sections are profitable.

Planogram schematics received by the store may be unclear or, worse, nearly impossible to use because the category size, orientation, or shelving in a particular store may not match the planogram. In some cases, resetting can be hampered by shelf tags and schematics that rely on abbreviated names; it's also not unusual for item descriptions or SKU numbers to be incorrect.

As retailers try to get by with fewer employees, workforce issues can also lead to shelf set errors. Store personnel, as hard-working and as diligent as they may be, are often rushed and make mistakes. This problem is exacerbated with new employees in training or when English is not the employee's primary language.

Some store sections are set by vendors who may, consciously or unconsciously, favor their own brands and muddle the carefully developed planogram.

Once properly set, on-going compliance and maintenance become major issues. A benchmark study sponsored by **Procter & Gamble** some years ago showed that planograms go out of compliance at the rate of 10% each week and there is no indication that that figure has improved in recent years.

Re-stocking errors occur when a busy employee fills an empty facing with just any product simply to eliminate the hole rather than the correct item (which is often the bestselling item). At other times, an incorrect variant, flavor, or size is added even if it is the correct brand. And, just as in the initial set-up, route persons can be tempted to fill an empty space with one of their own brands.

Opportunity: Speed and Accuracy Are Important

The planogram was designed for a reason (or set of reasons), such as increasing sales, increasing profits, introducing a new item, supporting a new merchandising approach, etc. Deviating from the planogram defeats the purpose of any of those goals. As the NARMS study found, a 100% reset compliance within two weeks meant a sales lift of 7.8% and a profit improvement of 8.1%.

Inaccurately refilling an out-of-stock item can be an especially critical mistake. Fast-selling items are out of stock more often than less popular products. Replacing top sellers incorrectly means lost sales and reduced section profitability. Moreover, out-of-stocks have been identified as the number one consumer complaint. Customer satisfaction can plummet if the shopper can't find the product he or she is looking for.

How quickly and accurately your employees re-set and restock shelves not only affect store profitability and the customer experience, but it also affects employee productivity. Trying to determine the proper product for each location can cause frustration and stress, which, in turn, can lead to errors and turnover.

From the vendor's standpoint, efficient planogram compliance gives him or her confidence that the retailer is helping protect the vendor's "real estate," ensures a consistent brand image, and builds a mutually successful working relationship. If the vendor is responsible for resetting the category, labor costs can also be an issue.

"Whether it be annually or multiple times a year, a lot of hard work is put into the planogram process," said Mark Krull, manager category development at **The Hershey Company**. "We are always looking for ways to improve the efficiency and compliance of our resets."

Solution: Make Execution and Compliance Easier for Store Personnel

A key element in proper planogram execution and regular planogram compliance is the form in which the planogram itself is delivered to the store.

The industry has come a long way from the days of hand-drawn planograms laid out on makeshift two-by-four shelves in the backroom, to today's schematic diagrams. In addition to the schematic, most planograms also include instructions and details about any related point-of-purchase materials as well as an SKU and UPC listing.

While certainly a major technological improvement, working with planograms like these can still be confusing and time-consuming, especially to new employees. As a result, the newer generation of planograms also includes an image of the actual product. While much better, even this type



King-Sized Trend

Mark Shapiro, CEO of Illinois-based **Gladson**, is noticing "many retailers placing all of the king-size products next to each other rather than next to the regular-size version of the product." The reason? Retailers are trying to maximize point-of-purchase effectiveness by making the products and promotion more prominent—larger products, greater visibility.

of planogram still requires store personnel to painstakingly match the paper schematic and the product to the actual in-store shelving.

Today, a growing number of manufacturers and retailers are taking planogramming a step further and adding newer tools, such as image shelf strips, image shelf tags, and back tags to their regular planogram package to help employees produce fast, efficient resets.

Working with several key convenience store operators, The Hershey Company takes advantage of image shelf strips and tags to maintain its strong category management program. "Optimal planograms are a win/win for our retail customers and Hershey," says Krull. "Image-based shelf strips lessen the amount of time spent resetting the shelf and improve planogram compliance. I also believe they help consumers more quickly find the product they are looking for."



WELL-DESIGNED PLANOGRAMS, SUCH AS THIS ONE IN A CONVENIENCE STORE, BECOME EVEN MORE EFFECTIVE WHEN SHELF STRIPS ARE USED TO ASSIST WITH ON-GOING COMPLIANCE.

Shelf strips and tags that incorporate images have been shown to decrease initial new store or section set time by as much as 50% and restocking time by nearly one-third. Not surprisingly, there is also a significant increase in accuracy. In addition, these language-neutral merchandising tools make compliance easier by reducing out-of-stocks and eliminating mis-stocks and face-overs for even the newest employee. From a sales standpoint, the promotional value of image strips is particularly high in convenience stores and front-end categories like candy and snacks.

The first and last rule of good planogramming is "always consider the consumer." Image strips and tags are popular with shoppers because they aid "product-to-price" recognition and let consumers know that an item is carried even when it is temporarily out of stock.

Retailers spend too much time and money creating carefully considered, well-designed planograms to let poor execution and inefficient maintenance undermine those efforts. Working with progressive vendors and providing the most up-to-date tools to employees can go a long way to ensure profitable planograms. **PCB**

*Mark Shapiro is CEO of **Gladson**, a leading provider of category management services and labor-saving planogram execution/compliance tools to consumer goods retailers, manufacturers, wholesalers, and brokers.*