

INCREASE SALES BY 4%AVOID FRESH AIR

By Tim Brady, Business Development Manager; WiseShelf

Up until 2015 there was an old retail colloquialism "...you cannot sell fresh air..." and then came along vitalityair.com who literally, started selling canisters of fresh air!

However, in the context of a retailer's shelf, canisters of fresh air aside, the saying remains true - if a product is not available on the shelf...you have only fresh air to sell!

The retail shelf is one place where retailer, manufacturer and consumer meet every day. It's one of the most important pieces of real estate in the retail world. It is where the rubber meets the road. If manufacturers and retailers have done their jobs right, the consumer journey ends with a full basket¹.

The time and energy of many a retailer and manufacturer (if fortunate enough to be given the slots) is preoccupied with what is on the shelf presented to the consumer – which products, how many, what facings, etc.

Widely referred to as micro space management, and specifically "planogramming", Nielsen's Ankush Patodi, recently defined planogramming more broadly as, "a canvas where you can visualize a merchandising strategy and optimize it to increase sales and reduce instances where consumers want to buy something that has sold out (i.e., out-of-stocks)."

Planograms help both retailers and manufacturers convert their individual knowledge sets about consumers into a practical and profitable shelf layout.

...planogram non-compliance 30%

...leading consumers to choosing other stores or competitors

According to the Category Management Association (CMA), in general terms retailers' planogram compliance is approximately 70% - or, stated differently, planogram non-compliance is approximately 30%. This failure leads consumers to choose other stores or competitors.

...out of stocks biggest driver of lost sales > 4%

...increases to 10% for fast-moving or promotional items

In addition to planogram non-compliance, out-of-stocks are still the biggest driver of sales loss in retail, accounting for more than 4% of lost revenue, a number that increases in the case of fast-moving items or promotional items (~10%). When consumers cannot find the product they want, around one in eight of them ends up buying from a competitor. In some cases, an out-of-stock is also the "final straw," encouraging a consumer to defect to a competitor.

The Importance of Planogram Compliance

¹ The Smart Shelf: Your Pathway to Winning in Retail, Ankush Patodi - Nielsen, January 2020
<https://www.nielsen.com/au/en/insights/report/2020/the-smart-shelf-your-pathway-to-winning-in-retail/>

Without compliance, retailers cannot accurately measure the effectiveness of their planogram; even the best will yield sub-optimal results if the initial execution is less than 100% correct and lacks ongoing maintenance.

...planogram non-compliance leads to flawed analysis

Non-compliance can result in reduced sales and out of stocks due to improper setting and usage of shelf space. Also, in the process of creating a planogram, a merchandising planner will first consider the previous placement of an item and gauge the item's performance based upon that assumption.

However, if the item was not represented on the planogram per the plan, then the analysis will be flawed — leaving subsequent decisions regarding the item's contributions to revenue and profit in question.

I started this article stating a retail colloquialism. As the retail industry has embraced technology and the growing data available, there is another colloquialism which is relevant in the context of a data analysis based on planogram non-compliance of 30% "...garbage in, garbage out".

...what can retailers and manufacturers do?

So what can retailers and manufactures do to address the underlying issues of planogram non-compliance, which in the past has largely been 'accepted' because manual audits were deemed too costly, inefficient and inaccurate? And what about the occurrence of out-of-stocks or "fresh air" on the shelf?

...98% planogram compliance...50% reduction in out of stocks

The technology exists to obtain real-time data from the shelf to address both these issues - recently Israel's largest pharmacy retailer improved planogram compliance to 98% and out of stocks were reduced by 50%².

WiseShelf's modular solution comprises:

- **Shelf topper** - an array of light sensors able to detect 1,000's gradients of light, identify exactly where and what quantities of each product are on the shelf
- **Shelf mounted camera** - able to take images on an event. scheduled or on demand, using image recognition software to report "realogram" to planogram
- **Wireless power** - one unit capable of powering 100 shelves and 8 cameras wirelessly...no more unsightly cables from the roof, drilled through concrete pads

Retailers and manufacturers need to get a direct line of sight to one of the most important pieces of real estate they own, their shelf. Data gathered from the shelf in real-time will allow the retailer and manufacturer to make the most informed decisions, using the best available information and will allow the full rewards to materialize from their significant investment made earlier in the Micro Space Management decision making process.

² WiseShelf Case Study: SuperPharm, Israel - February 2020