THE SMART SHELF:
YOUR PATHWAY TO WINNING IN RETAIL
A GUIDE ON HOW CAN YOU AS MANUFACTURER WIN AT THE SHELF
WELCOME

In retail, the store shelf is where the rubber meets the road. If manufacturers and retailers have done their jobs right, the consumer journey ends with a full basket—or maybe two. But the shelf is rife with competition, and consumers notice less than 40% of the products in a specific category. And what’s more, they spend less than 15 seconds in front of any given shelf.

These stats don’t inspire tons of optimism among manufacturers, who spend huge sums promoting and marketing their products. Those efforts, however, often don’t garner the desired results. Sometimes that’s because a product gets lost on the shelf, reminding us of that old adage, “Out of sight, out of mind.” The plain truth is this: Product placement on the shelf has a direct impact on sales of that product. Said differently, poor placement will translate into poor sales. But placement on the shelf isn’t out of the manufacturer’s hands. In fact, they can avoid poor shelf placement and lackluster sales if they:

• Collaborate with retailers and help them manage the retail shelf;

• Speak the language of “category management;” and

• Bring more resources and knowledge to the table to help the retailer manage the shelves better.

So what are the key principles of micro space management, known as planogramming, and how can manufacturers start using it to maximize sales and avoid out-of-stocks? You’ve come to the right place.

1 Nielsen Shopper Study, Latin America, 2016
INTRODUCTION TO THE WORLD OF PLANOGRAVMING

Like many words, “planogram” can be defined in a number of ways. For example, the Oxford English Dictionary defines planogram as a “diagram or model that indicates the placement of retail products on shelves in order to maximize sales.”

That covers the basics, but today’s retail world needs a broader definition. Let’s define it 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). The retail shelf is one place where retailer, manufacturer and shopper meet every day. It’s one of the most important pieces of real estate in the retail world. Planograms help both retailers and manufacturers convert their individual knowledge sets about shoppers into a practical and profitable shelf layout.

Planograms are a mix of art and science. Retailers want different things from what manufacturers want, and shoppers want something different as well. A planogram has to appease each of these parties—each of which has a different objective:

- **Shoppers** want an efficient and good in-store experience. A planogram should assist them.
- **Manufacturers** and retailers want to maximize sales and profit. A planogram should influence shoppers.
- **Retailers** want to minimize operating costs. A planogram needs to manage operations efficiently.

PLANOGRAVM - A MIX OF ART AND SCIENCE

[Diagram showing the intersection of retailer, manufacturer, finance, visual, logistic, and shopper]

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A planogram will generate a “SMART” shelf only if it has the right balance of art and science. A SMART shelf is Shopper friendly, Maximizes sales and profits, Avoids out-of-stocks, Reduces operational inefficiencies and Triggers experimentation.

The SMART shelf will help shoppers, manufacturers and retailers.

In a retail store, the shopper is overexposed to advertising messages. Hundreds of brands are calling and enticing the shopper, which makes the decision process more cumbersome. The SMART shelf should:

- Make it easy for shoppers to navigate and to find the product.
- Assist the shopper in making the product comparison easier.
- Make the overall shopping experience enjoyable and efficient.

In an uber-competitive retail store, where thousands of products fight for a place in the retail shelf, manufacturers face extreme competition. The SMART shelf should:

- Maximize brand visibility.
- Ensure a fair share of space; each product should get enough facings on the shelf to prevent out-of-stocks.
- Increase category sales and customer satisfaction.

With finite space and infinite assortment, the SMART shelf helps retailers:

- Avoid out-of-stocks and bring uniformity of merchandising in all the stores.
- Optimize the shelf space to increase the overall category sales and profitability.
- Increase the shopping experience for their customers so that they come often.

With an optimized planogram, a SMART shelf helps you translate your category vision into reality on the shop floor. Building a SMART shelf is a journey where both manufacturers and retailers will have to work together. Let’s examine what you need to build your SMART shelf.
HOW CAN YOU START YOUR JOURNEY?

At the start of your journey, it’s important to have the right mindset. At the onset, you are convinced that you want to use your category expertise and knowledge, and you have a fair understanding of the shopper. You are all eager to use this information in space management, but you know that the retailer owns the point of sale, the most important piece of real estate in the store. So how can you play a key influencer role? You will be successful only if:

- You think about the growth of the category rather than your brand. Retailers don’t cooperate with manufacturers that are only focused on their own brands.
- Your top management is aligned with the retailer’s top management and is committed to grow the overall category sales. Both companies are ready to dedicate the resources and capabilities needed to make this a success.
- You win the trust of the retailer so that they can share the data and work with you to optimize the space and assortment. To win the trust, you should have a dedicated team that works with the retailer. Ensure the retailer that you are not sharing their data with key account managers, as retailers believe it will be misused while the key account manager sign trade of terms.
- The most important criteria is to partner with the right retailer that is willing to take your advice and implement it at the store. The retailer should be a strategic fit for your brand. Prioritise which retailer you want to work with by considering the actual dollar opportunity, as well as the retailer’s openness and commitment to collaborate.

SELECTING YOUR RETAIL PARTNER:
USING THE OPPORTUNITY VS. COMMITMENT MATRIX

Once you’ve selected your retail partner, let’s talk about the key ingredients of a SMART shelf.
WHAT DO YOU NEED TO START THE JOURNEY?

Once you have identified the retailer(s) you'd like to work with, it's time to create your first planogram. We can divide the journey toward the SMART shelf into three steps:

Let's dig into these steps.

**STEP 1: PREPARE**

To prepare the foundation for your SMART shelf, you must have:

a) **Data:** Product and fixture details.

b) **Knowledge:** How do shoppers shop the category?

c) **Tools:** Space management software to build the planogram.

Let's explore these elements in greater detail.

**A. DATA**

The principle of “Garbage in, garbage out” is appropriate when it comes to the data required to build any planogram. At a minimum, you need:

1) A list of the products you want on the shelf.

2) Details of the fixtures: size (HxWxD) and the number of shelves you have to play with.

**I) PRODUCT LIST PREPARATION**

The very basic requirement is to have a clean product list for building planograms. Refer to the figure below to understand the planogramming data requirement hierarchy, which fulfills the different requirements.
When you’re building a retailer-specific planogram, the aspiration is to reach the “Great to have” data-sharing level. To reach that goal, manufacturers need to engage with the retailer on “category management.” You have to showcase your ability to grow the category and build trust with the retailer so that the retailer can trust you with its data.

### THE CATEGORY MANAGEMENT JOURNEY

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**Source:** Nielsen Practical Category Management Workshop
2) FIXTURE INFORMATION

To make sure that the planogram you build is implemented in the store as you design it, you need the information about the physical shelf fixture. There are several important things to know about the fixture.

• **Playbook:** A playbook is a document with several planograms in different “space breaks” (different sizes of planograms of the same category) that manufacturers develop. These books show retailers and merchandisers what manufacturers consider the ideal planogram, based on shopper research, but they are not retailer specific (yet). There are also retailer custom playbooks.

• **Retailer-Specific:** Planograms are built to implement at a particular store. Consequently, retailer-specific planograms need to consider more than just the fixture information. The planogram should be easy to implement. This will happen only if you have accurate information.

**ILLUSTRATION ON FIXTURE INFORMATION**

![Diagram of fixture information](Source: Nielsen Spaceman Software was used to generate the output)
The end goal for any manufacturer or retailer is to sell the products they offer. An array of factors drive purchase intent, such as cultural background, family income, brand recall value and visibility at the shelf, etc. But when it comes to making the SMART shelf, let’s focus on “How does a shopper shop?”

Before making a final purchase decision, a shopper has weighed an array of selection factors. Your shelf layout needs to address those factors. So let’s look at the purchase decision process.

The product purchase decision can be divided into two steps. First, the shopper groups the products that can fulfil a similar need/usage. This group becomes the consideration set that defines ‘what’s in and what’s out?’.

Let’s understand this with an example: Is drinks a category? If yes, then should milk be next to cola? Is cola a category? If so, then orange soda, a non-cola drink, could be on the other side of the store and not necessarily next to cola. Of course this is not logical.

Category is defined by how shoppers group products in a category based on need/usage and interchangeability. Therefore, a common definition for cola and non-cola soda drinks should be “carbonated soft drinks” because shoppers could switch between cola and orange soda, but would not logically use milk to satisfy the same need state.

## CATEGORY DEFINITION

**NEED**

**TO HAVE A REFRESHMENT DRINK**

**ALL RELATED PRODUCTS**

**CLUSTERED INTO GROUPS**

**INTERCHANGEABLE PRODUCTS**

**SUBSTITUTABLE PRODUCTS (SEGMENTS)**

Source: Nielsen Practical Category Management Workshop
Applying a category segmentation that's based on shopper needs can help you reduce clutter and improve product findability in any planogram.

The second step a shopper takes is evaluating the importance of attributes like type, variant, pack size, price, brand, etc., which affect the choice the consumer ultimately makes within a category. You can determine the importance of these factors by conducting shopper research, often by developing a shopper decision tree, which helps you understand:

- The way data is sorted and analysed
- Where new products will be placed on shelf
- Planogram design

You must follow the tree to create corresponding (visual) blocks in the planogram. For at least the top three levels (see figure below), you should create clean blocks that are easy to find. Levels dictate how substitutable a product is for a shopper. The higher the level, the less substitutable the product. For the lower levels of the tree, when the blocks become increasingly small, you have to make decisions that might not strictly follow the tree, but are more pleasing to the eye.

Let's put what we've gone over thus far into practice. Let's imagine we're a manufacturer and we want to build a planogram for a retailer. In the shopper decision tree, our brand is Brand A.

SHOPPER DECISION TREE

[Diagram showing a shopper decision tree with levels and decisions on how to place products in a planogram.]
KNOWING WHERE ‘BRAND’ FITS IN THE SHOPPER DECISION TREE

In any shopper decision tree, the starting point (level zero) will be category. After that, there can be different levels by subcategory, consumer usage, needs, occasion, brand and pack size, etc. Brand isn’t the only purchase driver. A shopper will not buy toothpaste if they are looking for a toothbrush just because they have a high brand loyalty. We see that still many manufacturers are trying to create brand blocking where it doesn’t make sense. Our view is that brand can be high (top three levels) in the tree, but always after the subcategory level.

In our earlier carbonated beverages shopper decision tree example, you can see that the brand comes after flavour in non-cola. If Brand B is present in both lemon and orange soda flavours, then the placement of the lemon flavour of Brand B will be placed within lemon soda flavour blocks and the orange flavour of Brand B will be placed in orange soda flavour blocks.

C. TOOLS

When you’re selecting planogramming software, it's better to seek out a space planning partner rather than just a software supplier. A space management expert will provide the right mix of software, support services and skilled recommendations to foster your success. Having the right partner by your side can ultimately be a deciding factor in the success or failure of your SMART shelf aspirations. The expert will make sure that your space management processes are reviewed and analysed properly, that you’ve got the right software, and that your team has adequate training and ongoing support to overcome any hiccups.

In any planogramming software, you should look for:

- An easy-to-use software interface;
- Robust analytical capabilities; and
- Customizable reporting capabilities

Avoid falling in the trap of free or cheap online planogramming tool where mostly you will end up wasting your time and energy.
STEP 2: BUILD A MERCHANDISING STRATEGY

The second step in the journey toward the SMART shelf is building robust merchandising guidelines that integrate your strategy into space management principles. You should document the merchandising principles that you want to follow. These principles will guide you on which products to place and where to place them. This will remove subjectivity from the planogramming process. It is important to have a clear guideline so that every time you can produce similar planograms if you are working on a similar dataset.

In this section, we’ll look at the product placement rule and how to avoid out-of-stocks.

A. PRODUCT PLACEMENT RULE

Product placement on the shelf is an art. To get consistency in the art, however, you need to remove the subjectivity and bring clarity on where each product will be placed on the shelf. You can do this when you define:

I. How to create visual blocks on the shelf?

II. What should the flow of blocks be?

III. Which products should occupy the eye level area on the shelf?

IV. Where should you place the different pack sizes of the products on the shelf?

V. How do you want to treat private-label products and new products?

I. How to create visual blocks on the shelf?

Effective product placement on the shelf centers around blocking, a grouping of highly similar products on a store shelf. Since these products are highly similar, they fulfil the same need and directly compete with each other. Placing them together on the shelf will make the visual block.

To create a visual block on the shelf, you must follow the shopper decision tree from top to bottom. Each level of the tree should be converted into a block and you should create sub-blocks within each such block. Blocks can be placed vertically or horizontally on the shelf, depending on the width of the block and sub-blocks.

When a shopper is standing in front of a shelf, the natural eye span is about 1.5 meters wide. If you make the horizontal block wider than 1.5 meters, the shopper has to move back and forth through the aisle as they search for the product from left to right. This will make the shopping experience more cumbersome and increases the chance the shopper gives up searching and leaves the store without making the intended purchase.
If a block or a sub-block is more than 1.5 meters wide, you should create vertical blocks.

If a block or a sub-block is less than 1.5 meters wide, you should create horizontal blocks.

II. What should the flow of blocks be?

The placement of the blocks should reflect the tree structure. Interrelated and substitutable products should be placed close together. This will ease the decision making process at the shelf.

Block placement is strategic in nature and should be thought through. For the main block and sub-block, you should have a fixed flow (e.g., subcategory “A” will be placed first in the customer flow to the aisle, followed by subcategory “B,” and so on). This will bring consistency across stores. For the blocks further down the tree, you may decide to vary the flow of the products varying based on your strategy or simply what looks good. Two possibilities are:

- **On the basis of sales value/volume contribution**: When you put high-selling products first in the customer flow to the aisle, then you make it easier for shoppers to make a purchase decision.

- **On the basis of profitability**: When you put highly profitable products first in the customer flow to the aisle, then you push those products and increase the profitability of the shelf.

Source: Nielsen Impactful Space Management Workshop
III. Which products should occupy the eye level area on the shelf?

In-store product location directly affects sales, which amplifies the need to strategically place products on the shelf. Understanding product placement requires an understanding of how the human eye moves when standing in front of the shelf.

UNDERSTANDING ‘EYE LEVEL’

In a recent Nielsen Shopper Observation Study, we found that:

- Eye level is not the level of the eye, as the natural eye level is 15-30 degrees below natural eye level.
- Eye level is not the natural buy level. Buy level is waist level. If we put a wall of cola cans, shoppers will mostly buy from the waist level.

The best location is between eye level and grab level (the middle area of the shelf). But every product can’t be placed in the best location, so you need a strategy for product placement.

We recommend:

a) Top Area: Use this zone to push “curiosity” products that are generally niche and expensive or smaller/regional brands.

b) Middle Area: Use this area to push “strategic” products to maximize sales/profit.

c) Bottom Area: This area doesn’t fall into the vision of a shopper when she is walking through the aisle. Use this area for high rotating “mass/popular” products, as most bottom shelves have more depth than other shelves, which often allows them to hold greater amounts of inventory.

Source: Nielsen Impactful Space Management Workshop
IV. Where should you place the different pack sizes of the products on the shelf?

It’s important to have a well-defined strategy for the placement of different sized products. It should help you:

• Increase the operational efficiency of the retail store

• Improve the shopping experience

• Prevent injury to the shopper and prevent products from being damaged

In a vertical block, you should place the small to large pack size from top to bottom. The bottom shelf has more depth than the rest of the shelves and can hold more units.

In a horizontal block, you have to decide between placing small to large packs from either left to right or vice versa. In most countries, shoppers are right handed and read left to right, and therefore, will look for alternatives/comparison toward the right hand side.

PACK SIZE EXPLANATION

Shopper sees left first, then look toward the right for alternatives, hence, you should place the small to large pack from left to right to influence shoppers’ perception about the affordability of the retailer or products and leading shoppers to consider a larger pack size.

V. How do you want to treat private-label products and new products?

Private label, or store-brand, products are the retailer’s own brand that can be either a look-alike of leading brand or a unique premium offerings. Private-label products should be considered the same as branded products within a category and should not get any preferential treatment. All brands should be treated according to their contribution to the sales of the category. If a retailer asks for any special treatment, then the manufacturer will do the same to their own brand and it will hamper overall category sales.

Securing a coveted place on the shelf is a golden ticket on the path to success. Since new products are in the early stage of their product lifecycle, they should be viewed in terms of potential rather than previous sales.
If a new product is innovative and has the potential to grow, you should do the following:

- Have a rule for how many units of the same product can be placed next to one another where the front of the product is facing the customer (e.g., at least two facings per SKU). This is a minimum facing rule.
- Place them at eye level.
- Educate your customer about the new products.
- Use bay dividers and/or shelf strips to remind and educate customers about a brand.

B. AVOIDING OUT OF STOCKS

Out-of-stocks are still the biggest driver of sales loss in retail. To solve this, you need to work with an inventory management model.

Inventory management in planogramming is like walking a tightrope. You need to balance between out-of-stocks and having too much stock. Both situations are costly to retailers and suppliers.

Let's take an example. I sell 100 units of cola a week and cola gets replenished once a day. However, I sell 25% of my weekly sales on Saturday, which means I need to ensure I can fit 25% of weekly sales on the shelf for that day. That's 25 units, which is my target inventory (not taking into account any demand variances on sunny days).

Space management software will automatically calculate this for you and give you a recommended number of facings per SKU.

Alternatively, you could calculate the needed stock by number of days of supply or target facings, which is a bit more rudimentary.

Having the right inventory model helps you calculate the right space for each SKU. Your space allocation strategy should:

- Avoid out-of-stocks at all cost.
- Ensure a predefined minimum number of cases/units of a product can go on the shelf at all times to increase efficiency at store operations side. If not, personnel in store will have to go to the backroom with the leftover stock time and again: very expensive.
- Give leftover space to strategically important products.
STEP 3: BUILD AND OPTIMIZE THE PLANOGRAMS

With a well-documented approach that helps you reduce subjectivity and delivers output consistency, you’re now ready to build your planograms.

Nielsen recommends this approach:

a) Build the mud map
b) Create the planogram
c) Optimize the planogram
d) Generate the output for implementation

Let’s explore these steps to better understand them.

A. BUILDING THE MUD MAP

A mud map shows how products can be merchandised in line with a shopper decision tree. In this step, decide how the blocking will appear in the planogram in accordance with your merchandising strategy. You can decide the size of each block by evaluating value/volume sales contribution.

To build the mud map, you should follow these steps:

• Prepare an overview of the sales contribution for at least the top three levels of the shopper decision tree. Make sure that the total of each level is 100% accumulated at all times.

• Keep an eye on big differences in the number of SKUs in the current assortment and/or size differences between the different segments, as you may have to allocate disproportionate space to the segment with large assortment irrespective of the sales contribution.

SAMPLE MUD MAP FOR THE CARBONATED BEVERAGE CATEGORY
B. CREATING THE PLANOGRAM

To build a planogram, you need a specialized planogramming tool. These tools enable you to build a planogram which is ready for in-store implementation.

Follow the below process to build your planogram:

- Build the fixture
- Drag and drop the products onto the fixture

**The Art of Merchandising**

Planogram creation is similar to solving a puzzle. It’s an art, and different people can have a different take on the same input data. There is no single or unique correct strategy to build a planogram. See the below example of carbonated beverages category where planogram is highlighted on consumption usage: single vs. multi consumption.

**Horizontal blocking of single vs multi consumption:** The shelf layout looks pleasing to the eye; however, it’s not easy for a person to shop, as they have to move back and forth, left to right, within the aisle to find out the single or multi consumption pack they want.

**Vertical blocking of single vs multi consumption:** This shelf layout is easy to shop because consumers can compare related products within their direct line of vision when they’re standing in front of the shelf.

Source: Nielsen Spaceman Software was used to generate the output
It's important to document your strategy and follow your guidelines so your vision for the category doesn't depend on the person who is designing the planogram.

C. OPTIMIZING THE PLANOG Ram

Building a planogram is easy if you have the required input data. The difficult task is optimizing the planogram to make sure you are using every centimeter of shelf space. Planogramming tools, such as Spaceman, are equipped with performance analytics features that help you visualize space optimization opportunities.

There are endless ways to analyse a planogram. However, you should keep it simple and run a basic analysis to optimize your planogram:

I. Blocking Analysis - Let's analyse the planogram to see if you have followed the shopper decision tree. This analysis will help you identify any misplaced products.

Let's see the outcome of blocking analysis in our carbonated beverages planogram example.

- *Level 1 of Shopper Decision Tree*: Single vs. Multi Consumption

Source: Nielsen Spaceman Software was used to generate the output
To avoid any confusion, all the further levels of blocking analysis have been performed on the multi consumption segment. All single consumption products are highlighted in white.

- **Level 2 of Shopper Decision Tree:** Cola vs Non-Cola (in Multi Consumption segment)

  **COLA VS NON-COLA BLOCKING ANALYSIS**

  ![Cola vs Non-Cola Blocking Analysis](image1)

  Source: Nielsen Spaceman Software was used to generate the output

- **Level 3 of Shopper Decision Tree:** Flavour (in Multi Consumption segment)

  **FLAVOUR BLOCKING ANALYSIS**

  ![Flavour Blocking Analysis](image2)

  Source: Nielsen Spaceman Software was used to generate the output
Based on these four highlights, we can confirm that the shopper decision tree and mud map have been followed correctly. That’s because we see nice clean blocks. You can take any product characteristic and analyse the planogram; however, we recommend that you keep it simple and analyse your planogram up to the top four levels of a shopper decision tree.

**Note:** Brand C and H are present in multiple spots due to the fact that they play in multiple flavor segments. Hence, they are blocked within their respective segments.

**II. Inventory Analysis** - Use this analysis to highlight the product basis of inventory level and find out which products are overstocked or understocked.

Let’s see the outcome of inventory analysis for carbonated beverages planogram.
A product will be coloured based on on-shelf availability of the product against demand for it:

- **White (Optimal):** Sufficient inventory
- **Light Red (Understock):** -10% to -20%
- **Dark Red (Extremely Understock):** more than -20%
- **Light Green (Overstock):** +10% to +20%
- **Dark Green (Extremely Overstock):** more than +20%

A planogram will be fully optimized once all the products are coloured white. In theory, this looks like a cakewalk. The reality is that you will rarely be able to achieve this while following all the other merchandising rules. So you should aim to eliminate understock and reduce overstock.

Above, we can see that almost all the SKUs of single consumption segments (*first two bays from left*) are extremely overstocked, whereas many of the multiple consumption segment (*last three bays from left*) SKUs are extremely understocked. Both situations are not good for overall category sales. To optimize the planogram further, some shelf space from the single consumption segment should be allocated to the multiple consumption segment.

**III. Top/Bottom performer Analysis** - Use this analysis to highlight the products based on performance such as sales or profit. This analysis will help you locate the best and worst performing products on the shelf so that you can take corrective measures if required. A sales analysis should always be done at subcategory or segment level to avoid making apples to oranges comparisons.

Let’s select sales and see the outcome of the analysis. In our example, we are running this analysis on the multi consumption segment.
In this analysis, the products are divided into five colors based on performance. White means average. In our example, we have selected sales field value and comparing it only within the multi consumption segment.

When we look at the previous two figures together, we see that the yellow highlighted product is selling extremely well, but is extremely understocked. Without action, this product will surely go out-of-stock, which means we need to add more facings to avoid loss of sales.

**IV. Multi Variable Analysis** - Until now we've only looked at analysing one variable at a time. You can use this analysis to highlight the performance of products for two variables such as profit and sales at the same time. This analysis will create a two-by-two grid similar to the Boston Consulting Group Matrix\(^2\) pictured below. As with the previous analysis, this analysis should also only be done at subcategory or segment level to avoid making apples to oranges comparisons.

### MULTI VARIABLE ANALYSIS

- **Stars**: High-profit, high-volume sales products. Put them in the prime location and avoid out of stock at any cost.

- **Cash cows**: Low-profit, high-volume sales products. Put them outside of the eye-level shelves in a gondola with “mass/popular products.”

- **Question marks**: High-profit, low-volume sales products. Put them on the top shelves with “curiosity products.”

- **Dogs**: Low-profit, low-volume sales products. Rationalise the assortment as much as possible here, and give them leftover location on the fixture.

The above strategy should be taken only at lower levels of the shopper decision tree, as shoppers don’t group the products like this when they make their purchase decision in front of the shelf.

Let’s see the outcome of multiple variable analysis in our example of carbonated beverages planogram for multi consumption segment.

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\(^2\) BCG Matrix: The growth-share matrix is a chart that was created by Bruce D. Henderson for the Boston Consulting Group in 1970 to help corporations to analyze their business units, that is, their product lines.
This analysis should be used to identify high profit and fast-moving products (Stars). When you see this analysis together with the inventory analysis, you can make sure that Stars are not understocked. In this example, if you can see the yellow highlighted product is extremely understocked, at the same time it's a star (which means high sales and high profit). It's clear we need to resolve this issue by adding facings to avoid out-of-stocks.

Don't complicate the entire process. It's important to keep the process simple and easy to follow. You will have to make a few exceptions and make judgement calls. All of your display decisions should be tailored to the shoppers who use them, not to the designers who make them.

D. GENERATING THE OUTPUT FOR IMPLEMENTATION

To present the planogram outcome to the retailer team, you should use product images complemented with sales and space analysis charts. For in-store implementation of the planogram, the output should be readable in a black and white print out. Even today, most of the stores use black and white printers. It should contain:

MULTI VARIABLE ANALYSIS

Source: Nielsen Spaceman Software was used to generate the output
Page 1:

• A birds-eye view of the category

SAMPLE OUTPUT - PAGE 1

Page 2 onward:

• Segmented view of planogram along with the product list

• Product list must contain:
  - Location of the product on a shelf
  - Shelf number
  - Product ID (UPC/EAN/barcode/retailer ID)
  - Name
  - Count of horizontal facings

SAMPLE OUTPUT - PAGE 2

Source: Nielsen Spaceman Software was used to generate the output
PLAYBOOK VS. RETAILER SPECIFIC PLANOGRAMS

Whether you are working on a playbook or a retailer-specific planogram, the basic building approach will be the same. In the playbook concept, the planogram will be your vision of the category display at any retail store. You should also include a placeholder for a retailer’s private label offerings. In a retailer-specific planogram, the shelf display will be the outcome of both retailers and manufacturers vision coming together keeping shoppers at the centre of all the decisions. You will use store-level sales information to tweak the planogram and place actual retailer’s private-label offerings on the shelf.

In both cases, you must assess and rebuild your planogram at least once every three months. You must use updated sales information and modify the product facings to meet new demand.

HOW TO MEASURE RETURN ON INVESTMENT?

From the date of planogram implementation, you will need to wait at least three months to assess the results. We recommend measuring success by comparing the sales performance of the test store (where planogram has been implemented) with the control store (similar store compared to test store but with no layout change). The ideal sample size should be five to 20 test stores and their corresponding control stores.

To find out the delta, follow the below methods:

• If it’s a very seasonal category: Compare the sales performance of the same quarter last year.

• For all other categories: Compare the sales performance of the last quarter.

The positive delta will tell you the sales uplift is probably due to the change in layout.

In the carbonated beverage example, we compared the post-implementation sales of test store with the results from a control store. The net impact of planogram implementation in sales growth was 6.85%.

SAMPLE PLANOGRAM IMPACT ANALYSIS
WHAT DOES IT TAKE, AND WHAT WILL YOU GET?

To build the SMART shelf and grow the overall category sales, you must bring:

• A few thousand dollars for tools
• A bit of space planning expertise
• The desire to look beyond your own brands
• A lot of commitment to stick to the process
• An in-depth understanding of the shopper
• And last but not least: A collaborative retail partner

You will get3:

**Revenue increases of 10% to 20%** through reallocation of space to higher selling items, improved product assortment and position on the shelf.

**Margin improvements of 5% to 15%** by identifying highermargin items, ensuring their inclusion in the range and providing the appropriate space allocation

**Inventory cost reduction of 5% to 10%** through the identification and removal of inefficient inventory

*Note: The ability to achieve any of this will always depend on the quality of shopper insights and input data, the quality of the developed plans and the retailers’ implementation and compliance capability.*

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3 Gartner’s ROI study by Mike Griswold on How to Increase Revenue and Strengthen Customer Loyalty
WHAT’S NEXT?

By now, you are aware about the process of creating a planogram. As a next step, you should:

- Identify a suitable retail partner
- Document your merchandising strategy
- Find a right space management expert
- Start simple, don't complicate the entire process

You can reach out to Nielsen, we can help you in many ways in your planogramming journey, such as shopper understanding, category management consultancy and training, and building the planograms. We have a wide array of software solutions that cater to different needs of a planogrammer.

Our space management tool, Spaceman™, enables you to quickly arrange products into visually pleasing and financially sound layouts. It comes with powerful financial analysis and reporting capabilities to provide insight into the potential success of planogram.

Our Practical Category Management Workshop lets you discover ways to foster stronger relationships with your trading partners while developing successful strategies and tactics to further enhance your business’ category performance. While our Impactful Space Management Workshop enables you to gain the ability to create impactful, shopper focused and effective floor and category layouts in line with retailers' operations restrictions.

Do reach out to your Nielsen representative if this paper excites you to begin your journey.
ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Nielsen is divided into two business units. Nielsen Global Media, the arbiter of truth for mediamarkets, provides media and advertising industries with unbiased and reliable metrics that create a shared understanding of the industry required for markets to function. Nielsen Global Connect provides consumer packaged goods manufacturers and retailers with accurate, actionable information and insights and a complete picture of the complex and changing marketplace that companies need to innovate and grow.

Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what’s happening now, what’s happening next, and how to best act on this knowledge.

An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world’s population. For more information, visit www.nielsen.com.
At Nielsen, data drives everything we do—even art. That’s why we used real data to create this image.

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