



The F.I.X. Process of Drastically but Simply, Improving Planogram Compliance

Summary of the state of shelf compliance:

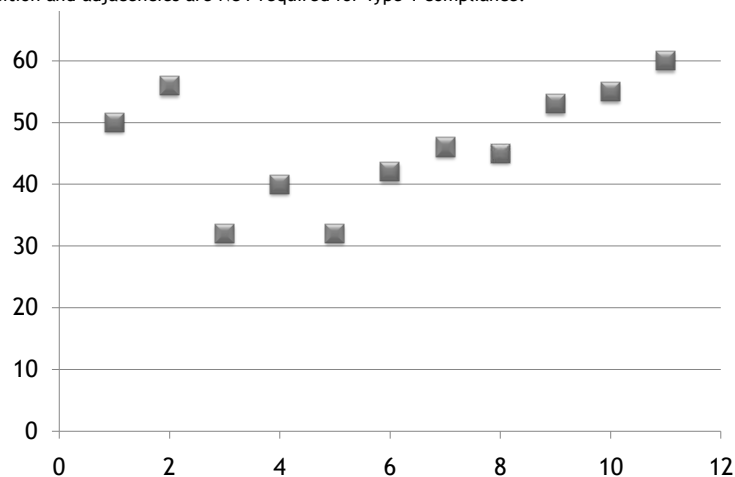
Over the last two years ShelfSnap has carefully documented the planograms compliance levels of the grocery industry in a variety of our newsletters (<http://www.shelfsnap.com/news-events.php>) and in our blog (brandedpantry.com).

Shelf level planograms compliance looks at both the items called for in the plan and the number of facings prescribed for each of those items. ShelfSnap determined that shelf compliance to plan typically falls below 50%.

While ShelfSnap has done hundreds of such brand and category studies for manufacturers and retailers it published the results below late in 2010 on 11 DSD and Center Store categories, measured primarily in the top grocery sellers across the U.S.

11 Category Study on Shelf Compliance to Plan (Half center store, half DSD) Average is 48%

Type 1 compliance requires both the assortment AND the facings called for in the plan. Position and adjacencies are NOT required for Type 1 compliance.



The poor level of compliance is equally attributable to assortment voids and to facings discrepancies vs. the plan. In other words half the deviations came from products called for in the

plan that were missing from the shelf. The other half of the deviations came from the products called for in the plan which were on the shelf but had either fewer or more facings than were called for in the plan.

Why has this process gone so far off the rails? Cannondale - Partnering Group studies put the sales gain impact of a well implemented category plan at 8% for the manufacturer and 14% for the retailer. Yet no company is getting anywhere near this productivity from their shelf, category or shopper marketing planning.

The reasons shelves do not comply with plan:

The systematic reasons that the shelf is so far and so consistently out of alignment with the plan fall into three areas:

- The plan is built with starting assumptions and data that do not accurately describe the products, configurations and even the fixture, size and flow of section that the set team will encounter when they get to the store.
- The correct and up-to-date plan is often unavailable for reference by those charged with maintaining the shelf assuming it exists (see above.)
- Changes to shelf, even those agreed upon by the trading partners are almost never recorded in such a manner that those changes are rolled into the day to day resource documents of the “feet on the street” nor are they incorporated into the base plan for the next reset cycle.

Based on our findings and investigations, a simple method can augment the current process and dramatically increase shelf compliance to plan. We call this the F.I.X. process.

The F.I.X. process.

F.I.X. stands for:

- Fresh Start Planograms. Each year prior to the reset, have store personnel snap pictures of the current set. ShelfSnap will translate those pictures into a snapogram that becomes the absolutely accurate basis for understanding the set, size, flow, assortment, placement and facings that currently exist in each store.
- Intant and ongoing access to the planograms in-store for all who are charged with complying.
- X (cross) Refer all agreed upon shelf changes into the planograms. Snap a picture of the change and ShelfSnap will document when, what and who changed the POG for future reference.

Fresh Start to the Store POG:

Most plans for a given store-category are built upon historical plans, one year incrementing on the last, which is built upon the years prior to that. The assumptions about the plan include:

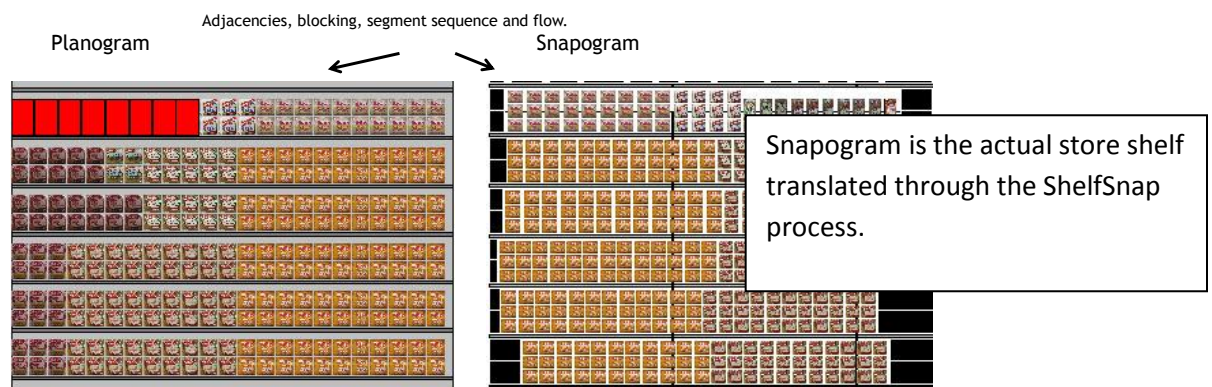
1. Size of set
2. Fixture layout
3. Assortment

4. Traffic flow
5. Current shelf location and facings.

This historical foundation issue is the primary reason that plans are almost never implemented as designed. The impact of using the historical foundation or “last year’s plan” is that the set team:

- Almost never runs into fixtures set up as specified by the plan.
- May run into a section that is smaller, larger than the plan calls for.
- Almost always runs into products not accounted for in the plan or in the “drop” instructions.
- In many instances will run into product flow set ups that differ from the very specific plans given to them.
- In some cases the set is on the opposite side of the aisle anticipated in the plan.
- In others the product flow (front-back of the aisle traffic) is set up differently (mirrored).

Over 50% of plan compromised. Identifying the deviations will help inform the business owners, planners and the “doers” for activation.



The image on the left is the intended planogram for the store on the previous page. The Snapogram at the right shows how this planogram was actually executed in store.



All of these are costly issues for trading partners. The costs include at minimum:

- Time for the set team to make adjustments to the plan
- Time for HQ and regional personnel to try and to “consult” on the fly to deal with the changes, if they are consulted at all.
- Sales for the items which are not set as they should have been in the plan
- Sales for the items that should have been on the shelf but are not
- Sales for a category sub-optimized by personnel who improvise, but do not have the expertise or data on hand to effectively deal with the discrepancies encountered.
- Ongoing credibility gap between the field and HQ on the plan vs. execution issues.
- Ongoing inability to be able to effectively measure the impact that plans are having on sales.

Some Examples (from studies including the top two grocery sellers in the U.S.)

- Plan called for 14 refrigerated shelves in two doors for creamers. In fact almost all stores only had 13 shelves. To fix this, site labor installed a 14th shelf with not nearly enough room to hold stock in any merchandisable position.
- Plans called for 15 shelves across three segments for bagged salads. 15% of the checked stores had either fewer or more shelves. Range was between 10 and 17.
- Plan called for 16' set across a group of stores. 5% of stores had sections significantly larger than the plan called for.
- Stores were mirrored in over 25% of the cases for major category. Retailer claimed mirroring never happened in their stores.
- ShelfSnap documented that actual shelves are out of compliance immediately after set up to almost the same degree as shelves checked 6 months after the set. The discrepancies differed over time, but the magnitude of gap was almost the same.

Recommendations for initiating a Fresh Start to Each Store POG:

1. Have store personnel capture digital pictures of the set in each store prior to the reset. Picture capture takes just a couple of minutes.
2. Have ShelfSnap turn the picture into a Snapogram which documents products, positions, facings and conditions.
3. The Snapogram exports directly into your space management software of choice, this too takes just a couple of minutes ending hours of manual prep work.

Now the team is ready to begin building the plan with a current list of products handled, a clear and accurate view of brand blocking and flow and an unassailable view of the space and fixture configuration available. The plan will be translated directly to the shelf by any team, quickly and reliably. The chances of getting the plan accurately implemented on the shelf just increased 90%.

Instant and ongoing Planogram Access, Part of the F.I.X. approach for improving Category-Space Management compliance.

The second element of the F.I.X. process is providing instant and ongoing access to the planograms for all parties who need to comply.

In the newly released study, Optimizing the Value of Integrated DSD, from the GMA DSD committee one of the surprising findings was how difficult it was for trading partners to gain access to what was believed to be the current and store planograms. The report indicates that access was unavailable for the store resources charged with maintaining those planograms at the shelf over 40% of the time!

Having easy to use POS available, even picture based POGs available to anyone working a store shelf section is a critical step in creating an expectation that the shelf will be maintained as the trading partners have agreed. Further, coupled with the Fresh Start Process above, the plan is much more likely to be relevant to the shelf and product assortment at least for some time period after the set.

If the feet-on-the-street cannot see and understand the plan, they cannot execute the shelf. In conducting the GMA study, we ran into many cases where even retail headquarters staff had trouble laying their hands on what they believed to be the current, agreed upon planograms for a

particular store. In one case we were told by a retailer that they “thought they had some PDF files showing the plan but they were about 5 years old.”

This issue is clearly costly to both trading partners. At minimum, cost include:

- Sales volume for the items which are not treated as they should have been in the plan
- Sales losses on the items introduced but not in the plan (therefore there is not plan for them)
- Sales for a category sub-optimized by improvising personnel who do not have the expertise or data on hand to effectively deal with introducing products, deleting products or changing facings or shelf positions, based on whatever criteria they use in the absence of an available plan
- The labor costs involved in constantly adjusting space and assortment, from the conditions encountered upon arrival at store. In many cases these adjustments are redone by the next person addressing the shelf.
- Ongoing credibility gap between the field and HQ on the plan vs. execution issues.
- Ongoing inability to be able to effectively measure the impact that plans are having on sales.

Recommendations to achieve instant, ongoing access for all charged with maintaining the plan:

The retailer needs to keep up-to-date planograms, built from the Fresh Start Process above, easily available at store level. In this way stockers, brokers and others can readily refer to the set as it is meant to be.

Not only do the planograms need to be easily available, they need to be readable. POG based image strips or picture based paper POGs are helpful, but only when the images of the actual products are available.

However, between this process the Fresh Start Process and the third process below, understanding compliance, and fixing it are for the first time well within reach.

X (cross) Refer and document via pictures, any changes that are planned for the pogram with the shelf status. The X in F.I.X.!

One of our discoveries in this journey with clients is that once a plan is built and agreed upon by trading partners, changes to that plan are rarely, if ever documented! Our experience with two of the top food marketers, with entries in both DSD and center store confirm the fact.

Our compliance service is very particular in delivering store by store discrepancies between what is found on the shelf and what is in the plan. We routinely ask the client to review the store by store lists at the field level and at the supervisory level.

- In one company *no one* could supply a list of approved trade-outs to the plan.
- In the other company we did manage to tease out the replacement products but no further approved changes could be documented.

Recommendation to achieve X-reference to the plan and documentation of agreed upon changes:

Whenever *anyone* makes a change to the section they need to take a picture of the entire 3-4' segment(s) affected and send it to ShelfSnap.

Once uploaded to ShelfSnap the changes can be recorded, documented and incorporated into the current plan.

ShelfSnap would also record the person submitting those changes.

Using this method assures that agreed upon changes are documented in a way where they can be maintained. It further assures that the period audits via pictures, and the pre reset "Fresh Start" will identify all unauthorized changes to the plan.

Summary:

Approaching your business from the customer's view is challenging and requires that information flow from the customer level back up to HQ. But this is where the difference can truly be made.



ShelfSnap™ accurately interprets digital images into a database of products, positions, data and plan exceptions. Results are indisputable because the pictures are always available online for review.



The F.I.X. process leverages current personnel to capture the shelf. It takes very little time and almost no training to take and upload the pictures.

The process leverages available technology as everyone has a digital camera or PDA.

The process is primarily external to all current IT infrastructures for the retailer or the manufacturer with the exception of the direct feed into the POG software of client choice.

The process Total Cost of Ownership is no more than other measurement techniques and yet it dramatically increases the probability that:

- the plan will reach the shelf,
- shelf changes will be documented and responsibilities identified
- the plan will actually be able to be measured for impact

Substitute methods for achieving the measurements necessary to support the F.I.X. are certainly possible. Direct audits through surveys or hand scan methods have been available for years. They are expensive to conduct because they take too much time to warrant the use of the normal in-store personnel. They are difficult to record in a way that is accurate and which does not involve some subjective collector judgment or even bias. Any further clarification of the results is impossible because the source of the collection, the shelf itself, is consumed in the collection act.

Another substitute method involves the use of POS scan data or delivery data to at least confirm assortment. This of course does nothing for position, size of set, facings and does surprisingly little for an accurate view of assortment.

These tools have been around for at least a decade. The use of these techniques has resulted in the compliance gap we have today.

The real news is the innovation of digital merchandising measurements brought about through ShelfSnap changes the view, and the results at the shelf.

The process adjustments in F.I.X. are simple, but they will have a dramatic impact on compliance. You will finally be able to measure the impact of the set and not worry about how much has changed since you will now have that measured as well.