



Winning at the shelf

How manufacturers and retailers can work together to ensure new product success **BY JENNIFER ZEGLER**

It's an age-old conundrum: consumers demand new products, manufacturers create new products and retailers lack the space for them. At the same time, manufacturers and retailers both understand their respective consumers, but the knowledge is not shared between the two. All this is standing in the way of new product success.

"There are 30,000 to 50,000 items in a typical grocery store," says Thom Blischok, president of global retail solutions and strategic consulting for Information Resources Inc., Chicago. "A pantry has 700 items. We're forcing customers to navigate around merchandise that's irrelevant. The single most important challenge among retailers is to shape shift the relationship with the customer. They

need to redefine their assortment innovation.

"They have to realize the relevancy for their customer base, not for the manufacturer," he continues. "This is well demonstrated by the fact that of the new products introduced last year, 84 percent were line extensions. And about 85 percent of them sold less than \$7.5 million and only 1 percent was considered a blockbuster, which means the item sells more than \$100 million in a calendar year."

As retailers expand selections and redesign floor plans, the area for new products is shrinking. With limited space for exposure, not to mention promotion, problems plague the existing process. From ideation to in-store materials, all areas of the new product cycle can benefit from

partnership between manufacturers and retailers.

"One thing I would say is that manufacturers should talk to retailers early in the research and development process," says Steve Frenda, executive vice president of in-store solutions group for Information Resources Inc. "This way they'll create products that are more relevant. If they talk earlier in product design it will extend through packaging and point of purchase that will motivate purchases."

IRI's Blischok and Frenda suggest remedies for the current issues stalling new product success. The decades-old collaboration model needs to be reworked for victory in the changing retail landscape. The surge of SKUs on shelves can be calmed by reinventing the ideation cycle. Finally, manufacturers and retailers can work together to change the new product promotion focus from traditional media to in-store materials. With these problem-solution sets in mind, collaboration could lead to winning at the shelf for all concerned.

"(Manufacturers and retailers) must have a common vision of winning at the shelf with consumers as much as possible," Blischok says. "Currently that alignment doesn't exist. The value is that the consumer sees the win for themselves at the shelf, so does the retailer and so does the manufacturer."

Problem: Old school collaboration model

Solution: Understanding consumer DNA

Since profits are the main driver for both manufacturers and retailers, it



would seem working together to create successful new products would be intuitive. Instead, the two camps guard their consumer research and frequent shopper information. When they do share it's based on a traditional process.

"Most challenging is the collaboration model," Blischok says. "After my 20 years in the industry, the collaboration model has moved very little — between retailers and manufacturers it's still 'open your wallets and let's be partners' and manufacturers respond 'take all my products and let's be partners.' There is no consumer thought."

The lack of emphasis on the consumer further hinders the traditional collaboration model. Since manufacturers gather consumer research on wants and needs and retailers have information on their shoppers' habits, they are gathering opposite information that could be valuable to the other party. Sharing this information could help understand consumers, who continually change their habits.

"The key or answer is in using information differently: win at the shelf and what's relevant at the shelf and at what quantity," Blischok says. "Which of my customers does it touch? Which products am I missing and why? What would repackaging look like, i.e. bigger boxes or smaller, multiple packs? The issue of redefining collaboration is a different level of interaction between manufacturers and retailers on how best to serve the customer."

The new approach could begin with a basic understanding of various consumer groups, or consumer DNA, Blischok says. One way to do this is with profiled consumer data such as IRI and Acxiom's Personix data.

"There's a big misunderstanding about who the consumer is," Blischok says. "The shopper DNA is probably the biggest focus that will transform the relationship between the manufacturer and retailer. Have a solid

Decoding shopper DNA

RI's Thom Blischok, president of global retail solutions and strategic consulting, emphasizes understanding the consumer is key to developing successful new products. The company's partnership with Acxiom's InfoBase database has allowed for an innovative profile of consumers based on their age, lifestyle and shopping lists and trips. Personix consumer segmentation can aid understanding of shoppers' DNA through its clusters and subclusters, which include, among many more, the cleverly named:

Young Workboots, part of the Beginning Generation Y cluster

Urban Scramble, part of the Mixed Singles Generation X cluster

Skyboxes & Suburbans, part of the Boomer Barons cluster

Still Truckin', part of the Mature Rustics cluster

Rural Antiques, part of the Leisure Buffs senior cluster



understanding of the shopper DNA and that's part of the collaboration model; the more they share, the more they realize the new model; the less they share, the less they change."

Problem: SKU proliferation **Solution:** Reinvention of the ideation cycle

While store shelves may not appear to be weighed down by the volume of products, Blischok and Frenda point out that SKU proliferation is an issue. As manufacturers create new products retailers squeeze the new in with the old, for fear of angering a consumer whose favorite product was booted.

"Manufacturers are good at introducing new products, but not good at discontinuing them, which causes SKU proliferation," says Frenda. "Retailers don't know their consumers' choice well enough to pull an item from the shelves. Because they don't want to frustrate the consumer, they leave the old items with new, which causes a problem."

This issue often leaves consumers confused.

"The retailer can't afford to put that many SKUs into the stores — the customer is saying it's too confusing — all these new products are getting

lost among the sea of other products," Blischok says. "Although interesting, they're not viewed as relevant by the customer."

The cure for SKU proliferation is SKU rationalization, Blischok explains.

"We asked (manufacturers) to consider removing products from a store," Blischok explains. "We showed them that by removing 20 percent and putting in the right products they increased sales."

Beginning with that model, Blischok adds to the plan. He cautions against the traditional ideation cycle that tends to focus on line extensions. Citing the cycle as "broken," he explains that unless the products focus on key needs, such as wellness or indulgence, line extensions do not guarantee success. Further reinvention of the ideation cycle is needed to ensure a product is relevant before it's brought to fruition.

"We've reinvented supply chain, formats and stores," Blischok says. "We're now in the process of reinventing based on relevancy for the consumer. Innovation from the manufacturer is different. They don't need line extensions, but rather a different way to get the product to the store. They need a new model for



relevancy of products, new ways to assort products, fewer line extensions and more understanding of the right quantity — on sale or not on sale.”

Problem: Traditional promotions are failing new products

Solution: In-store P.O.P. collaboration

It goes without saying that promoting products is essential for success. Today, though, promotion has many different forms and outlets that transcend typical marketing and advertising strategies. Frenda suggests that working together on in-store displays will help boost sales for retailers and manufacturers.

“Manufacturers have relied on traditional media to motivate consumers and it isn’t working,” Frenda says. “They must take it to retail with better, stronger signage, packaging and point-of-purchase materials that communicate better.”

With SKU proliferation plaguing store selections, consumers hardly remember the 30-second TV spot when faced with aisle after aisle of products. Frenda suggests that manufacturers

“A well-designed new product area in the store might help. That way a retailer could put what’s new in one area and the shoppers could go shop there and see what’s new and get excited.”

— Steve Frenda, executive vice president of in-store solutions group, Information Resources Inc.

work with retailers to create signs and displays that fit into store parameters. These marketing materials will better help motivate sales, he says.

“Manufacturers may need to talk to retailers to create message-carrying point-of-purchase materials that are more fitting with in-store formats,” Frenda says. “There is a need to be consistent and compatible. Some are doing this with Target and CVS to have new items that fit in with their layouts.”

Helping to fit with in-store formats may go as far as fitting into redesigns that incorporate solution-based or lifestyle-based aisles. As stores move to incorporate a “baby center” or “summer picnic section” manufacturers can help with signage and displays to highlight their products. These new solution and

lifestyle-based sections will help differentiate a retailer from others and could incorporate new products.

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Hints to success

As consumers change their shopping habits and values, retailers are changing to meet their convenience, lifestyle, health or value minded ideas. Even though manufacturers are creating products that fit into those molds, they must consider their outlets for success. Not all manufacturers and retailers are resisting the approach. As Frenda says, some are on the right track, but collaboration will be the key in the changing retail landscape.

“Some are on the right track,” Frenda says. “Manufacturers know the consumers of its products; retailers better know their shoppers, so they should be closer and discuss. In the transactional mind-frame, manufacturers create a new product and want it in all of a retailer’s outlets, but that may not be the best plan.”

Some chains are developing new products by incorporating dedicated staff or highlighting new items in an unconventional manner, which Trader Joe’s does with its “Fearless Flyer.”

“Look at Trader Joe’s weekly flyer,” Blischok suggests. “The standard flyer shows product, Trader Joe’s shows passion. They have a mission for innovation, quality products and new products.” ■

Joan Holleran contributed to this article.

Top 15 grocery retailers worldwide, 2005

Excluding foreign companies with little or no activity outside country of origin

Rank	Company	Country of origin	Retail banner sales 2005 (US\$ millions)	Market share	Grocery sales
1	Wal-Mart	USA	\$338,744	6.1%	44.9%
2	Carrefour	France	\$117,175	2.1%	74.1%
3	Metro Group	Germany	\$83,237	1.5%	47.4%
4	Tesco	UK	\$77,171	1.4%	73.4%
5	Ahold	Netherlands	\$76,774	1.4%	84.0%
6	Seven & I	Japan	\$69,237	1.2%	72.0%
7	Kroger	USA	\$63,702	1.1%	70.5%
8	Sears	USA	\$61,952	1.1%	12.7%
9	Rewe	Germany	\$56,527	1.0%	76.4%
10	CostCo	USA	\$56,456	1.0%	60.2%
11	Target	USA	\$55,356	1.0%	29.2%
12	Aldi	Germany	\$48,773	0.9%	83.3%
13	Walgreens	USA	\$44,194	0.8%	36.0%
14	Albertsons	USA	\$42,457	0.8%	68.6%
15	Safeway	USA	\$42,078	0.8%	75.5%

Source: M + M, PlanetRetail.net, “Top 30 Grocery Retailers Worldwide, 2005,” 2006



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