



Realizing Customer-Centric Merchandising with Planogram Automation

IRI Webinar Series
June 2007

*Grow your business profitably
in a complex marketplace.*





Agenda

▶ Customer Centric Retail Strategies

- An Overview

▶ Business Cases

- Reducing OOS and increasing space efficiency
- Driving Customer-Centric assortment and merchandising

▶ Process Demonstration

▶ Q&A

Retailers are Adopting Customer-Centric Retailing Strategies



▶ Rethinking operations

- Differentiation, Integration, Efficiency, Rigor

▶ Creating interconnected networks

- Merchandising and supply chain
- Core processes and systems
- Channels, suppliers, partners

Requirements for a Customer-Centric Approach



Demand Data

Multi-dimensional insights

Automation

Decision Making

The Benefits of Store/Cluster-Specific Planograms

Better linkage between consumer demand and preferences, retail shelf space and replenishment activities at the individual store retail shelf

Improved In-Stock Position

Lower Overstock on Hand

Shorter Cash-Conversion Cycle

Enhanced Shrink Control



Higher In-Store Compliance

More Effective Labor Management

Improved Promotions Management

Improved Customer Service and Satisfaction

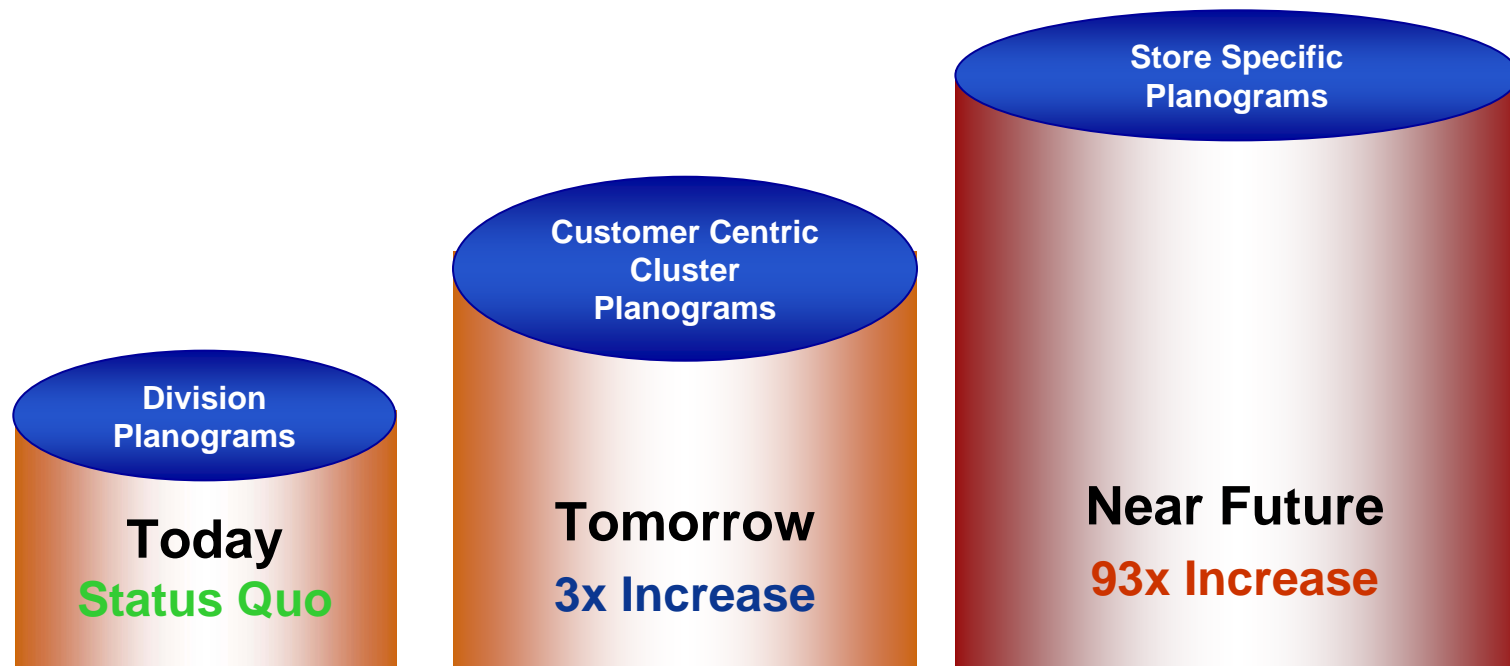
Linking Customer Insights to Key Retail Processes

- ▶ **Linking demand data to key processes such as Assortment and Space Management planning has numerous advantages such as:**
 - Narrow the product portfolio but still reflect accurate customer demand
 - Identify the most efficient flows for products that are tailored to customers at a particular store or cluster of stores

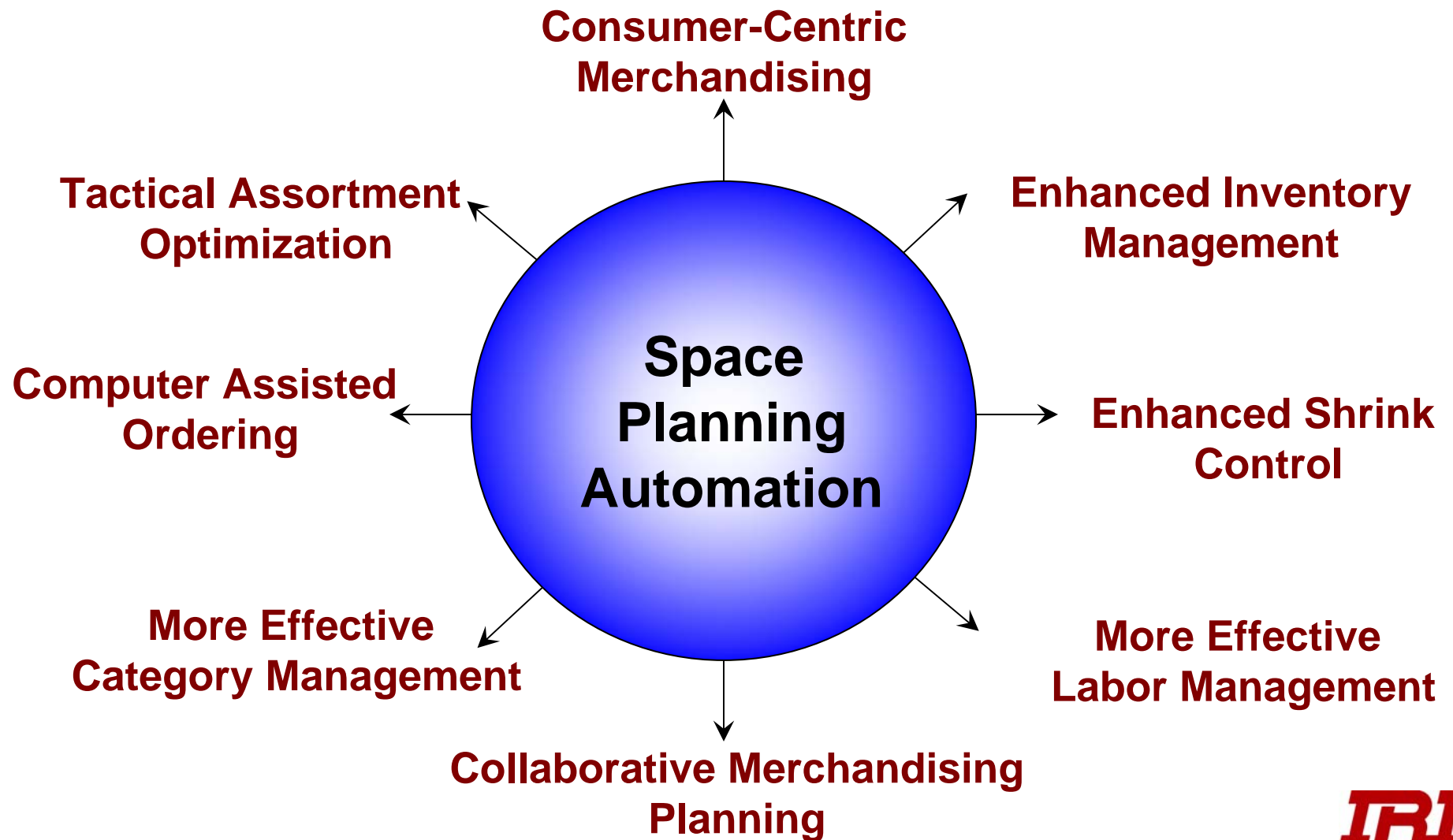


Customer Centric Planogram Implications to Achieve Perfect Shelf

***Resources Required using
Traditional Space Planning Methods***
(Categories x Divisions x Clusters x POG Versions)



Space Planning Automation is a Key Enabler of Store-specific planograms, which leads to Perfect Shelf



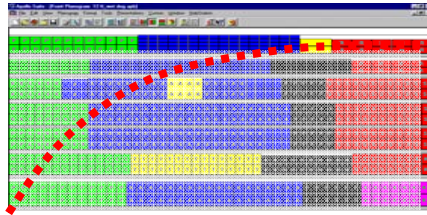
The Consumer-Centric Space Planning Process

Consumer-Centric Assortment

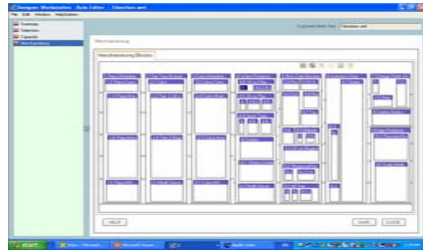
Space Allocated To Demand

Consumer Centric Category & Store Clusters

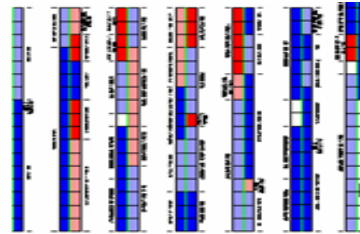
1 Assortment



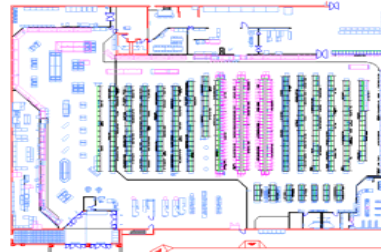
2 Template



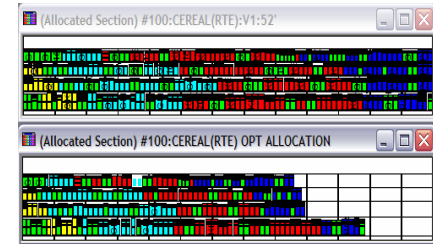
4 Cat Space



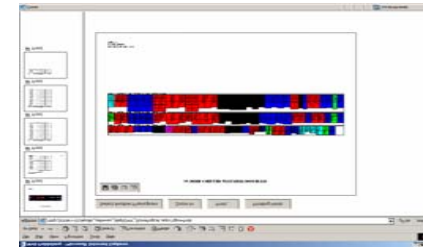
3 Store Space



5 Planograms

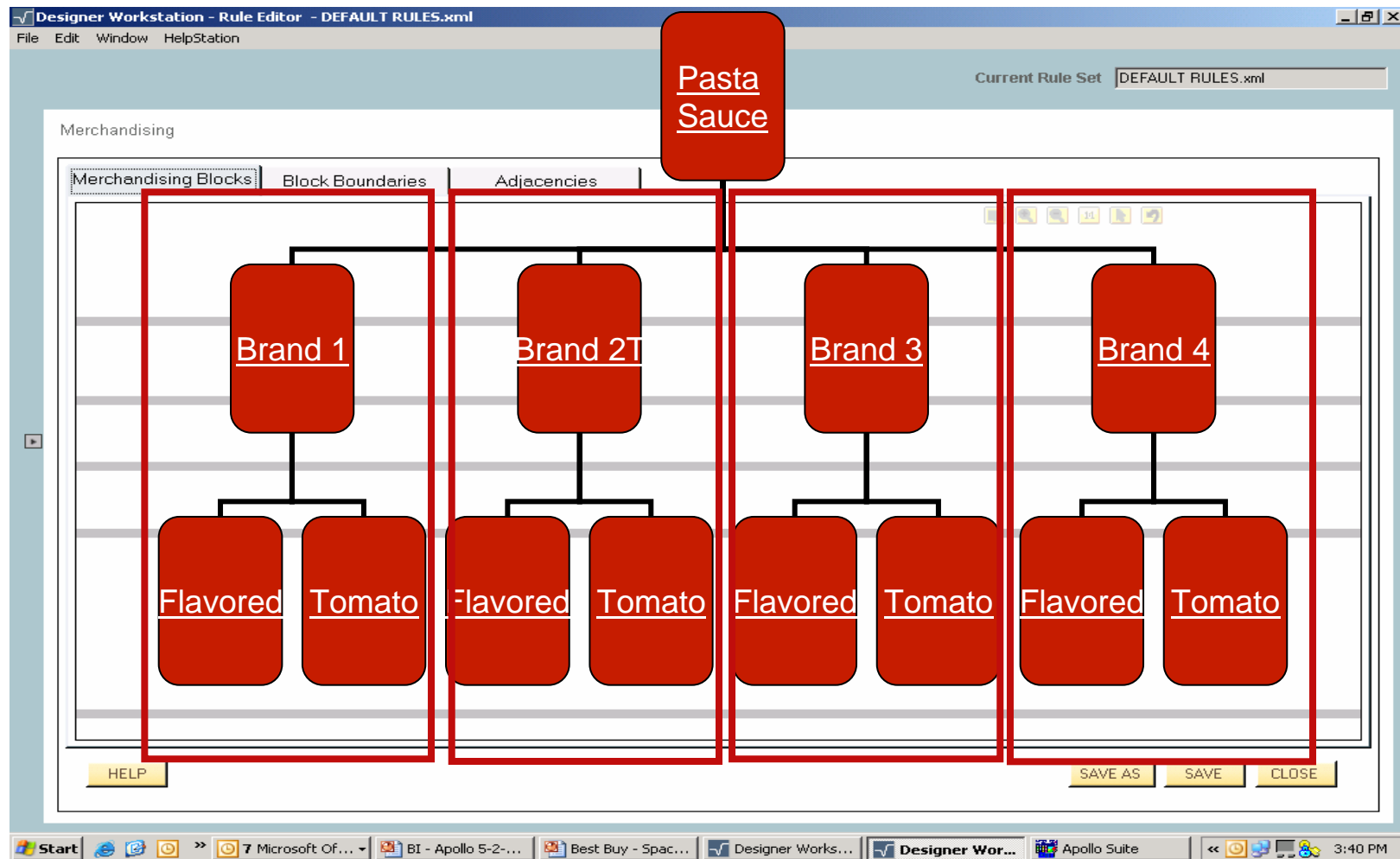


6 Web Distribution



Integrating Insights to the Shelf

- ▶ Merchandise the category based on product attributes that are key to the consumer decision process – “advanced item-attribute blocking”



Space Planning Automation: Overview

- Enables effective shelf management and consumer-centric merchandising
- Optimizes the retail shelf
- Driven through direct feeds from traditional space planning, data, assortment, and merchandising guidelines
- Planograms achieve optimal inventory and space to sales objectives



Value and Key Benefits

Enhanced Leadership



Cost-Effectiveness



Improved Consistency and Compliance



Merchandising Innovation



Improved Retail Space Performance





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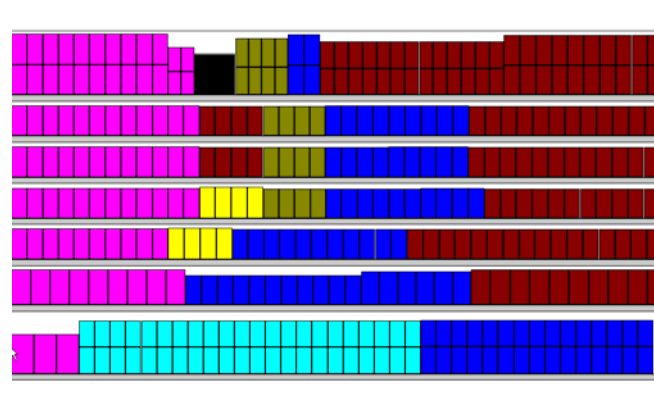
- Reducing OOS and increasing space efficiency
- Driving Customer-Centric assortment and merchandising

▶ Process Demonstration

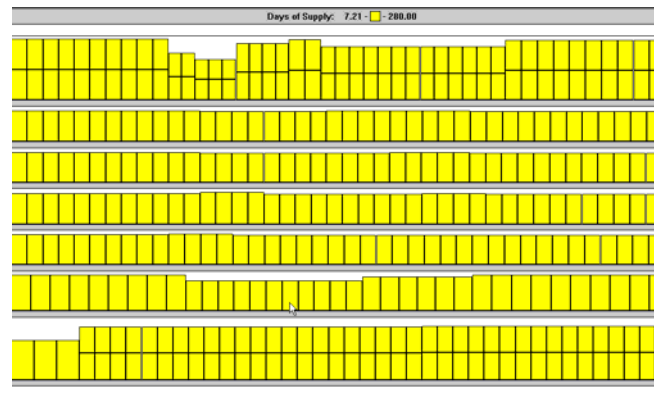
▶ Q&A

Original Planogram Built with Chain Aggregate Data

- ▶ 12 foot “gold standard” planogram built with aggregate chain data to be deployed across the chain.
- ▶ At this level, the planogram looks good and there are no projected issues with OOS.

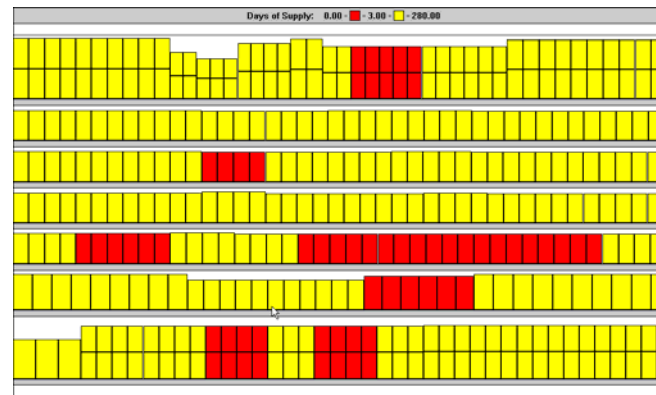
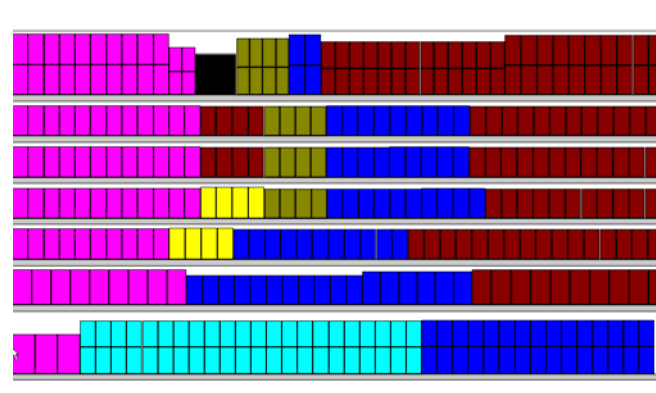


■ = OOS Risk



Original Planogram with Cluster Level Data Applied

- ▶ The same “gold standard” planogram with local market movement applied.
- ▶ Note that variations in local purchase behavior will put certain items at risk of being OOS when using a “cookie cutter” planogram.



■ = OOS Risk

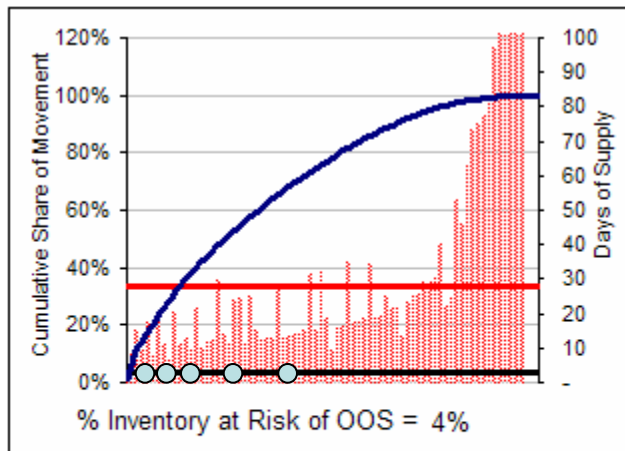


Summary Allocation Score Card

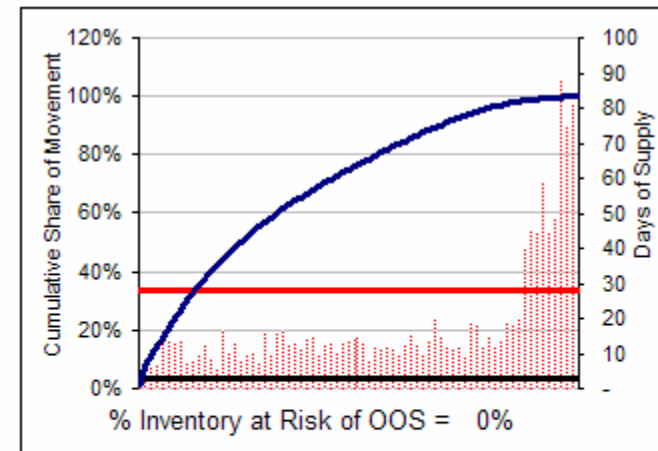
	<u>Original POG</u>	<u>New Allocation</u>	<u>(+/-) Change</u>	<u>(%+/-) Change</u>
Number of SKUs	77	74	-3	-4%
Number of Facings	284	283	-1	0%
Turns	11	19	7.5	66%
Days of Supply	32.40	19.47	-12.94	-40%
% Inventory at Risk of OOS	4%	0%	0.0	-100%
ROII	6.54	10.62	4.1	62%
ROA	18.89	29.88	11.0	58%

DOS Distribution Analysis

Gold Standard POG



Local Market Allocation



Dollar Impact of OOS Reduction

Lost Sales of OOS Items /Store/wk
\$ 14.75

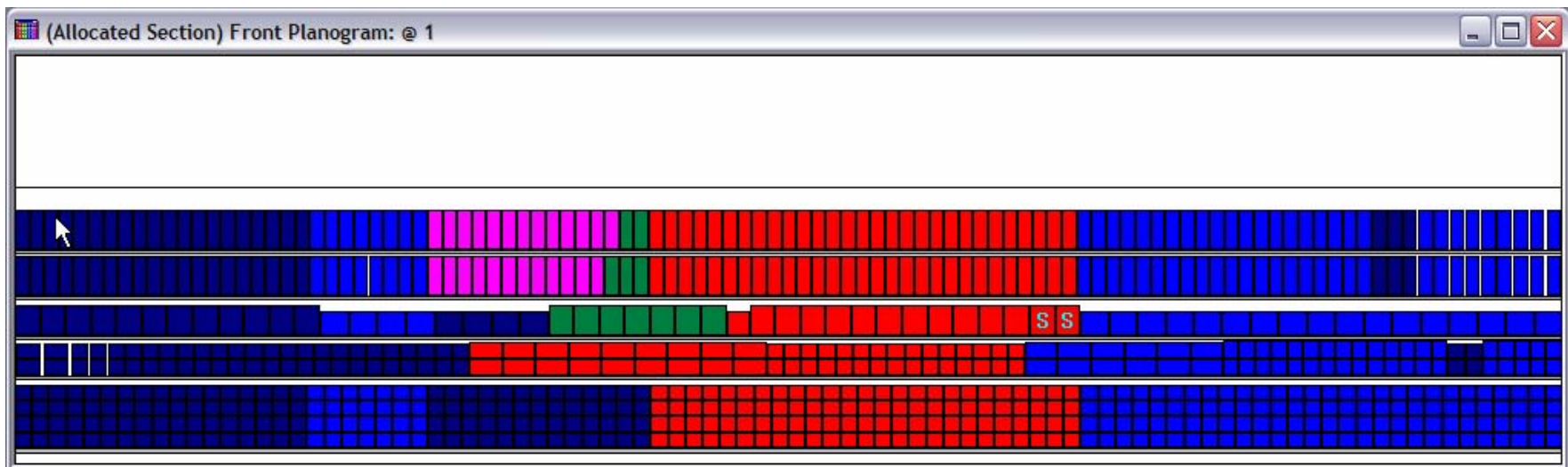
X # of Stores
120

= Annualized OOS Opportunity
\$ 92,040

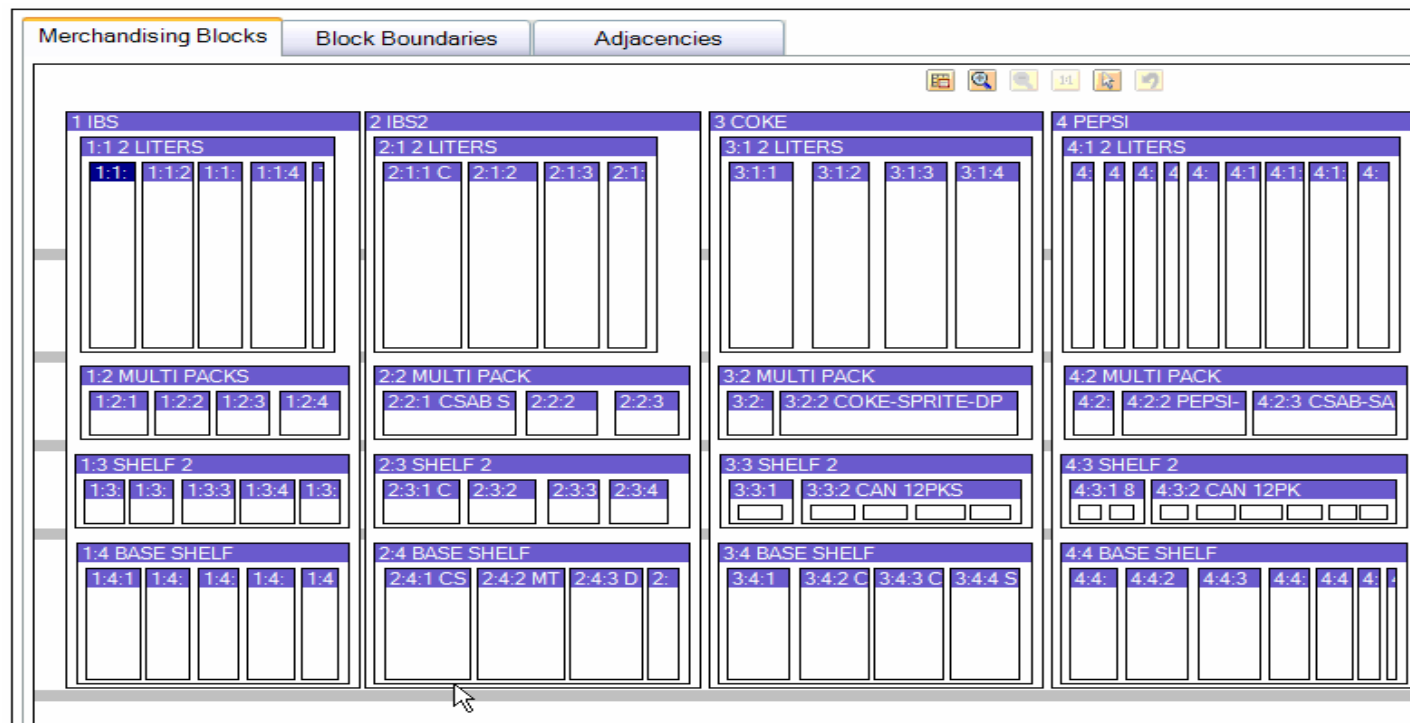


Customer-centric data driving assortment, allocation and merchandising placement

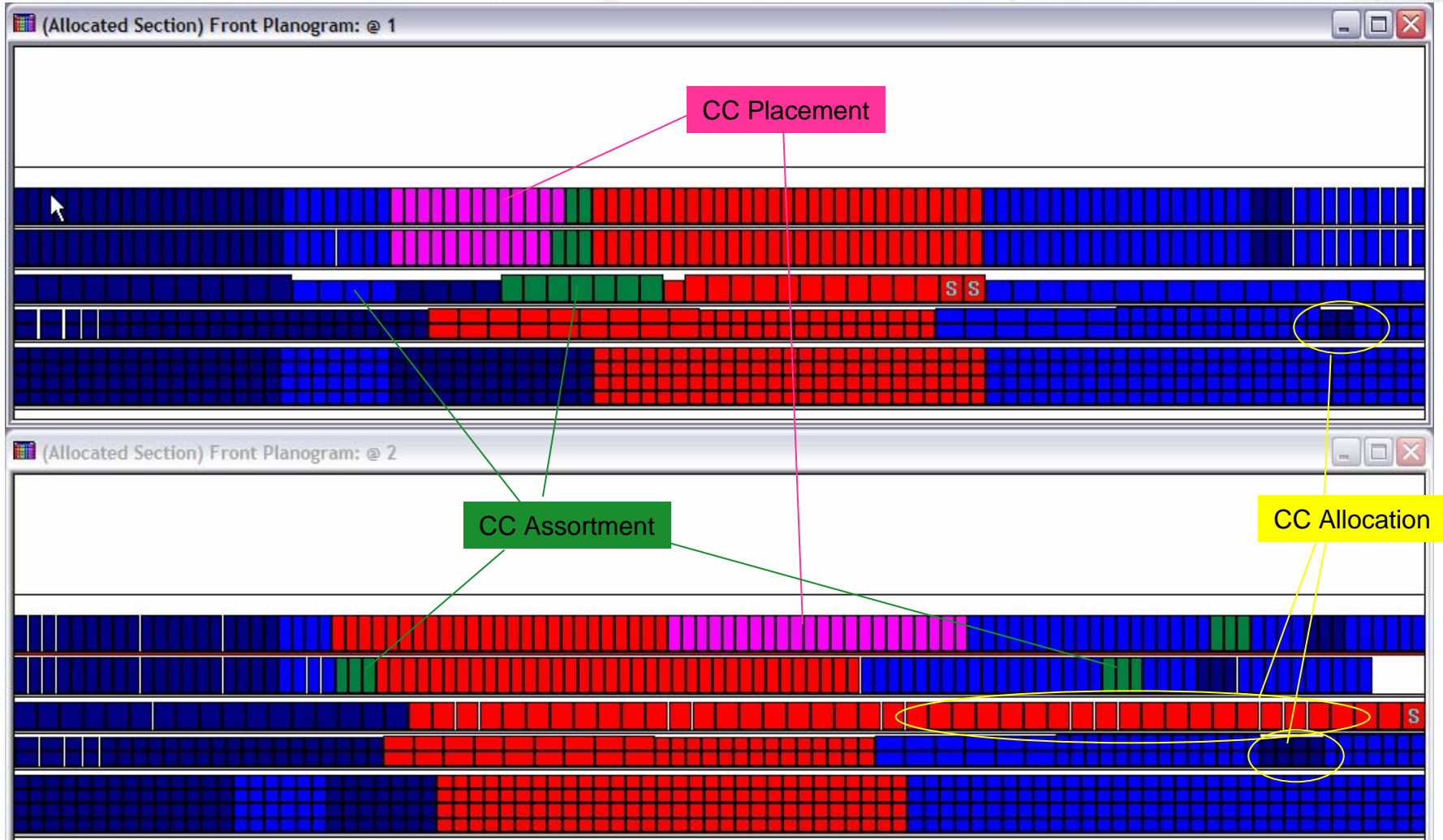
- ▶ The CSD industry has to support diverse planogramming requirements driven by bottling contracts and negotiated space
- ▶ Product placement varies depending on bottling contract; assortment varies by regionality; and allocation is driven by local customers



The solution called for a master rule set that would drive assortment, allocation and placement by local cluster



Customer-centric data driving assortment, allocation and merchandising placement





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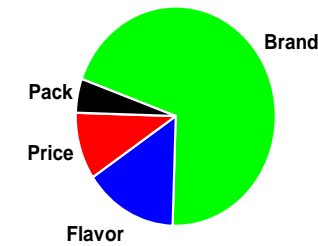
Customer-Centric purchase behavior drives strategic assortment which drives tactical shelf space/assortment

Customer-Centric Cluster Modeling & Strategic Assortment

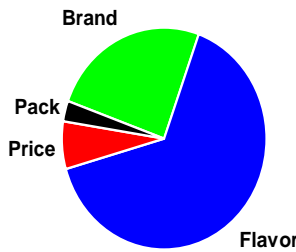


Space Automation

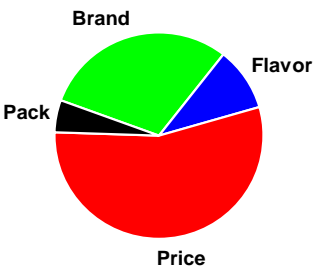
Product Attributes with Cluster/store POS



Brand centric assortment requires moderate space

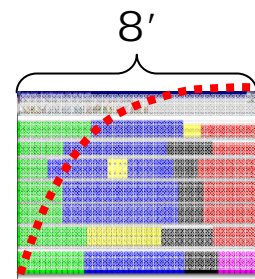
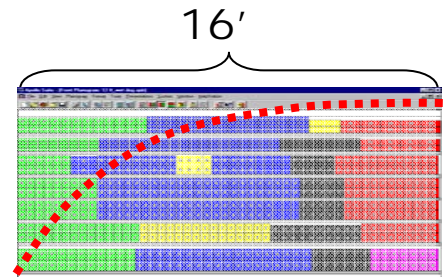
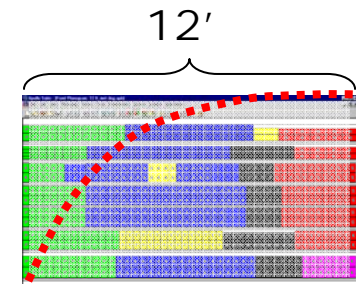
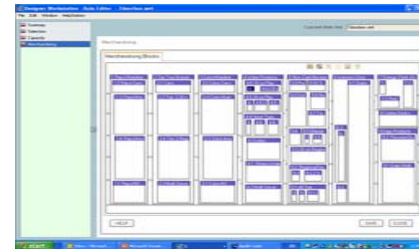


Flavor centric assortment requires large space



Price centric assortment requires limited space

Merchandising Rules are applied with Space Automation



How does the allocation process work?

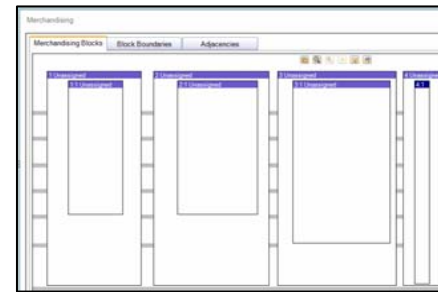
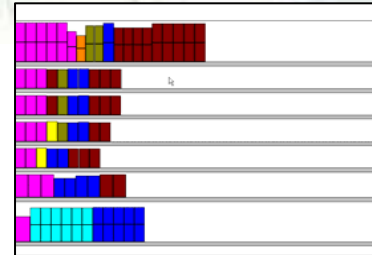
Layout Planogram with
Strategic Assortment
Item Ranking

+

Operational and Visual
Merchandising Rules
that place items by
attributes

+

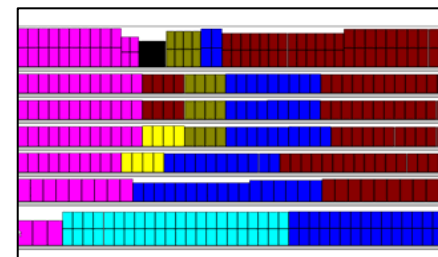
Customer-Centric
Cluster Input files



ITEM	A	B	C	D	E	F	G
111106615	30	1					
362000250	28	6	1	1			
3620001369	28	3	1	1			
5100002549							
2700042240	22						
3620003000	22						
2700042238	21						
1111066720	19						
1111074710	19						
2700042273	19						
1111071308	19						
3620000444	16						
3620000218	16						
5100002794	16						
1111071305	14						
3620000350	14						
1111066721	14						
2700042232	13						
1111071297	12						
3620000445	12						
2700042274	12						

	A	B	C	D
1	Number	Name	Length	Upright
2		1 PASTA SAUCE 8FT	96	
3		2 PASTA SAUCE 12FT	144	
4		3 PASTA SAUCE 16FT	192	
5				
6				
7				
8				
9				
10				
11				
12				
13				

Correctly Allocated Planogram





Use Customer-Centric space planning to....

SEE what you're missing

How to optimize product selection and shelf merchandising at the store level to put the right products in each store for your customers

ACT faster and with greater confidence

Manage the shelf more effectively to ensure that the right product assortment is appropriately merchandised to meet the needs and buying habits of consumers in a specific store

WIN at the shelf

Ensure appropriate space utilization, merchandising and stock levels so that customers leave the store satisfied and with your product in their shopping bag



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