E352 – Retail Logistics

P13 Retail Display

SCHOOL OF ENGINEERING

Learning Objectives

- Visual Merchandising
  - Various fixtures
  - Characteristics of the various fixtures
  - Uses of the various fixtures
- To have general understanding about planogram;
- To know the steps on how to implement and maintain an effective planogram;
- Space Productivity

Visual Merchandising

- Activity of promoting the sale of goods, especially by their presentation in retail outlets.
- Combining product, environment, and space into a stimulating and engaging display to encourage the sale of a product or service.
- Utilize colour, lighting, space, product information, sensory inputs such as smell, touch, and sound as well as technologies
- Not a science; there are no absolute rules
- You need the right tools to plan & analyze your visual merchandising & space management

Visual Merchandising - Fixtures

- Primary propose of fixtures are to hold and display merchandise.
- They help to define areas of the store and encourage traffic flow.
- Fixtures must be inline with other design elements
  - Flooring
  - Lighting
  - Overall store image
- Fixtures comes in all sorts of size, colour and shapes.

Visual Merchandising - Fixtures

- This is a Straight Rack
- Able to hold large volume of apparel but difficult to feature specific styles and colours
- Usually used in discount or off-price apparel stores.

Visual Merchandising - Fixtures

- This is a Rounder aka
  - Bulk Fixture
  - Capacity fixture
- Uses less space as compared to Straight Racks but is designed to hold maximum amount of merchandise.
- Commonly used in stores
- Same problem as straight racks. No frontal display.

Visual Merchandising - Fixtures

- This is a Gondola
- Extremely versatile
- Used extensively in grocery and discount stores
- Can display anything from food items to cloths and shoes.
- Can be used for folded apparel
- Difficult for customers to view apparels

Tools For Visual Merchandising - Fixtures

- This is a four-way rack, aka feature fixture
- Able to hold large amount of apparels
- Able to have full display of the apparel.
- Apparel of similar colour and design must be on the same arm. If multiple colour and design and on the same arm, it will cause confusion to the customers.

Visual Merchandising – Presentation Techniques

- Idea-Oriented Presentation
  - A method of presenting merchandise based on a specific Idea
  - Individual items are grouped together to show how the items could be used and combined together
  - This is usually seen in Women's fashion and also furniture store.
  - This approach encourages multiple complementary purchases

Visual Merchandising – Presentation Techniques

- Style/Item Presentation
  - One of the most common way of organising stock
  - Some example of stores that use this method include discount stores, grocery stores, hardware stores and drug stores
  - Merchandise of the same style are placed together and usually arranged by size to enable customers to find where they want easily.

Visual Merchandising – Presentation Techniques

- Colour Presentation
  - This is a bold presentation technique
  - Not very commonly used
  - This method involve placing items of the same colour together even if they are of different style and design.

Visual Merchandising – Presentation Techniques

- Vertical Merchandising
  - Presenting the merchandise vertically is another common way.
  - Customers usually will look from left to right and top to bottom, just like reading.
  - Retailers uses this nature eyes movement to their advantage by placing higher profit or more expensive items at the eye level and the lower profit or cheaper items at the bottom.
  - Retailers also use this method to create a strong visual effects of colours, having a vertical band of same coloured similar items in a vertical column.

Visual Merchandising – Presentation Techniques

- Tonnage Merchandising
  - Displaying large quantities of merchandise together.
  - Customer will relate large quantities with lower price
  - The large quantities of merchandise is a display by itself, and retailers uses this to attract customers to their shop.
  - This method is commonly used to display popular items of a festival during the festival period.
    - E.g., you will see Gondolas after Gondolas of Mandarin Oranges in supermarkets during the Lunar New Year period.

Visual Merchandising – Presentation Techniques

- Frontal Merchandising
  - It is important to show as much of the merchandise as possible, but it is not possible to create effective displays and efficiently store items at the same time.
  - This technique is to expose as much of the product as possible
  - In a book store for example, books are usually arrange such that only their spine are expose. Books retails will sometime face the book cover out like a bill board to attract customers to this book.

Visual Merchandising – Presentation Techniques

- Price Lining
  - Use when the retailers offers a limited number of predetermined prices
  - This approach helps customers easily find merchandise at the price they wish to pay.
  - Examples:
    - Racks full of clothes that are at $20 a piece
    - Cabinets full of watches are $15 a piece

Virtual Display

- Non intrusive and effortless means to understand shoppers better through data collection of shopper traffic flow, demographics (age and gender) and product preferences.

When will it be my turn?

- Eliminates the need to queue to use fitting rooms during peak sales period for a quick preview of the clothes fitting
- Allows retail store to reduce space for inventory

What is planogram?

- In short, Plan-O-Gram is a map of the category as represented in the store. It gives the position of each “SKU” in the store. They may also be referred to as plano-grams, plan-o-grams, schematics (archaic) or POGs.

- The planogram will tell you what you should stock and which sizes/weights work best for your shop size; recommend merchandising tactics like how much space you should allocate to each product; offer insights into the type of customers that buy the products and their motivation for buying; and offer ideal store layouts based on this information.

What is planogram?

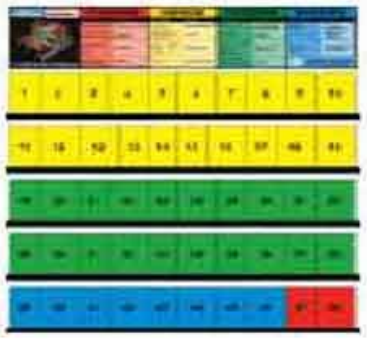
- There is an art and a science to Planogramming.
- The Art is in the presentation and visual impact
- The Science is the financial analysis portion
- A Planogrammer must be able to balance this 2 elements to create a planogram that is best for the store.

Purposes of Planogram

- Creation of an optimal visual or commercial product placement
- To communicate how to set the merchandise .
- To ensure sufficient inventory levels on the shelf or display.
- To use space effectively whether floor, page or virtual.
- To facilitate communication of retailer’s brand identity.

Components of a planogram

- Cover Page
- Schematic
- SKU Listing or Line Listing
- UPC Code or Universal Product Code
- Reports



Schematic
Example 1

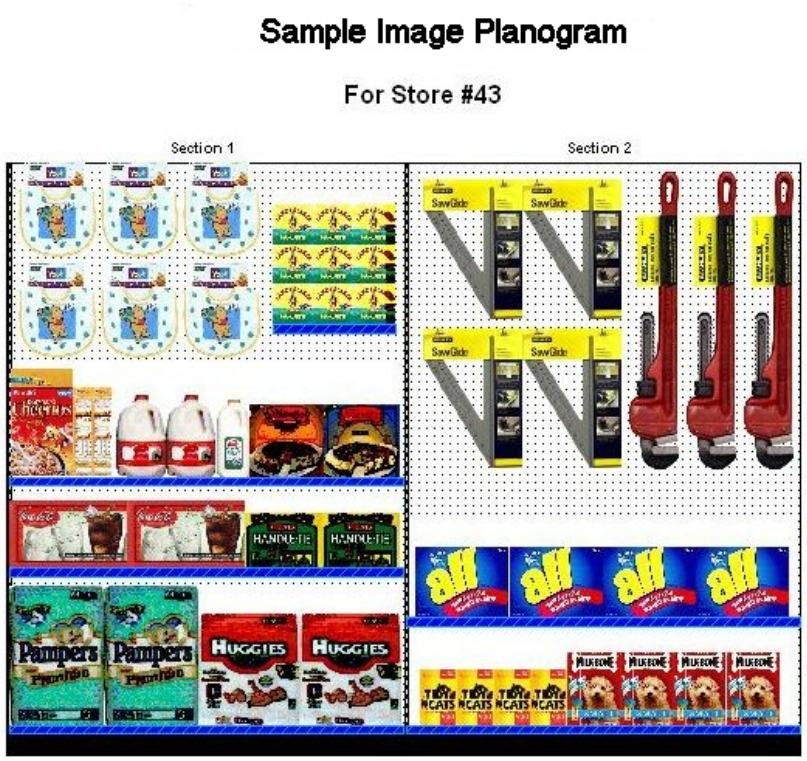
UPC Code

Schematic
Example 2

Planogramming Your Displays

- An **Image POG** allows you to view the aesthetics and emphasis of your design.
- A **Schematic POG** shows stock clerks how to implement your design in the field.
- An **Analysis POG** maps your performance metrics back onto your design for assessing results.
- **Standard Reports** analyze space utilization, expected financial performance, actual sales results, and rank products accordingly for decision support.

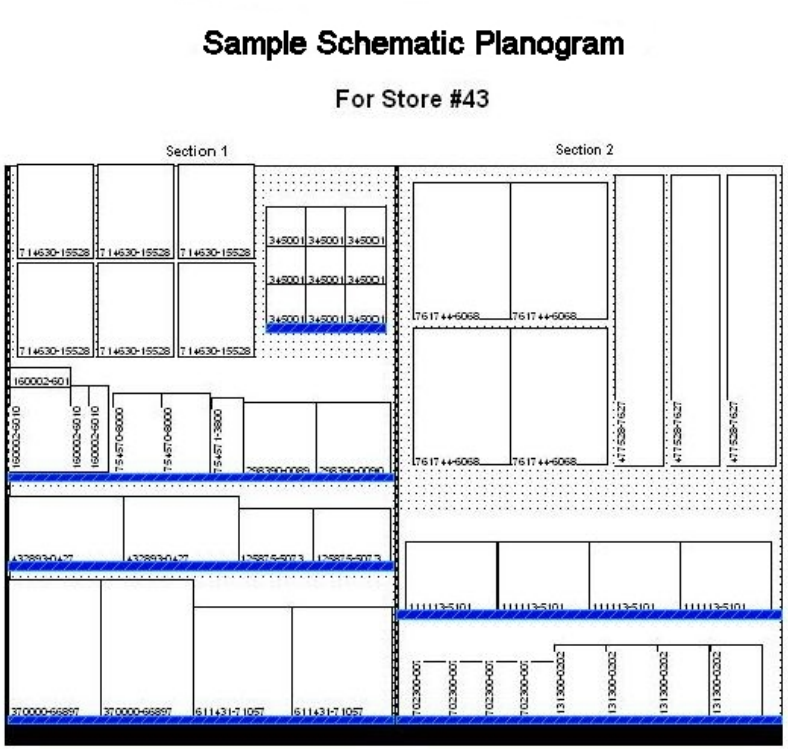
Image POG



An Image POG shows shelf & peg hook items exactly how they will look when placed on your display fixture.

Use an Image POG to verify display aesthetics, product positioning, assortment planning, and other visual issues.

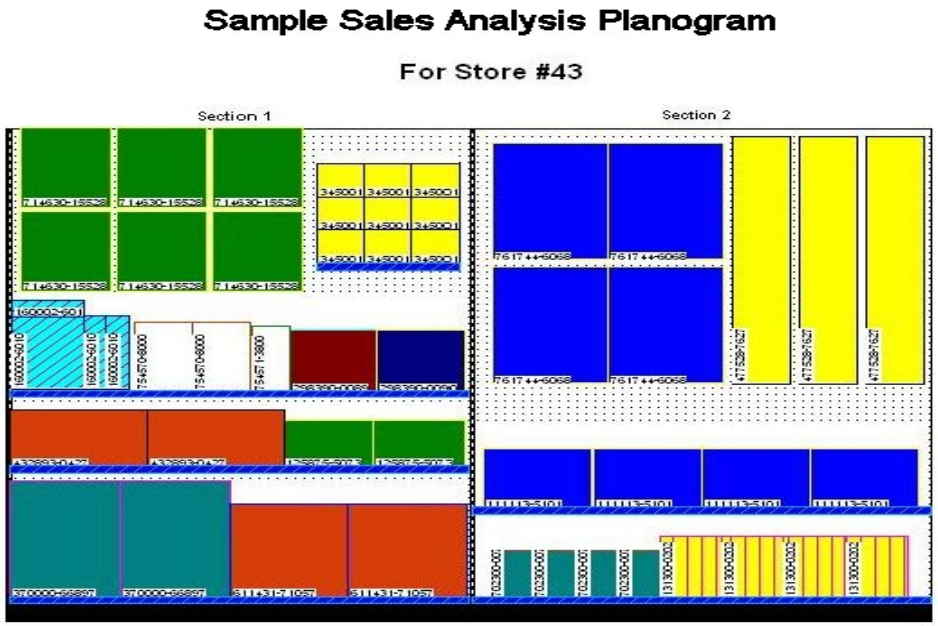
Schematic POG



A Schematic POG shows shelf & peg hook items exactly how they will be placed on your display fixture by UPC Code.

Use a Schematic POG to assist floor managers & stock clerks with accurately placing products on your display – including performing inventory resets.

Analysis POG



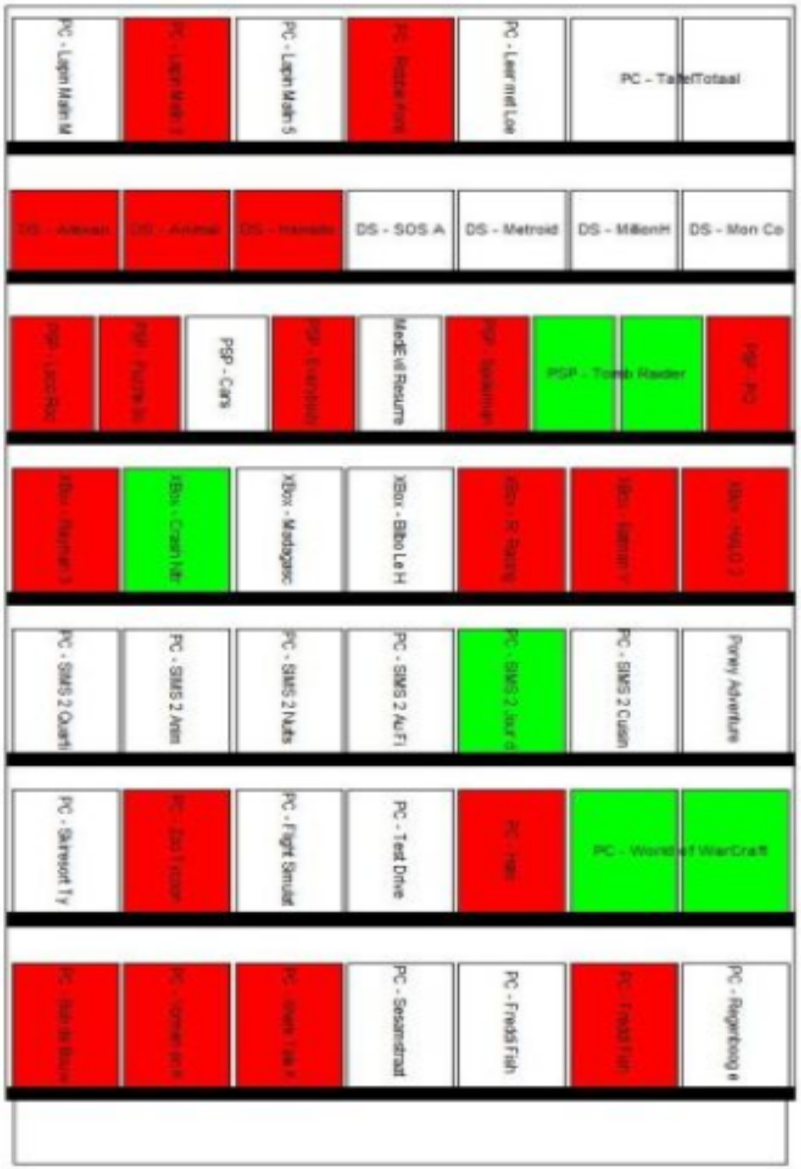
Examples of Analysis:

- Top/ Bottom Analysis
- Inventory Analysis
- Quadrant Analysis
- Hot/ Cold Analysis

An Analysis POG shows items in place on your display fixture and color-coded by relative value for a user-selected parameter.

Use an Analysis POG to assist floor managers & stock clerks by showing them key performance indicators or other metrics overlayed on the products in the display.

Top/ Bottom Analysis



Top/Bottom Analysis

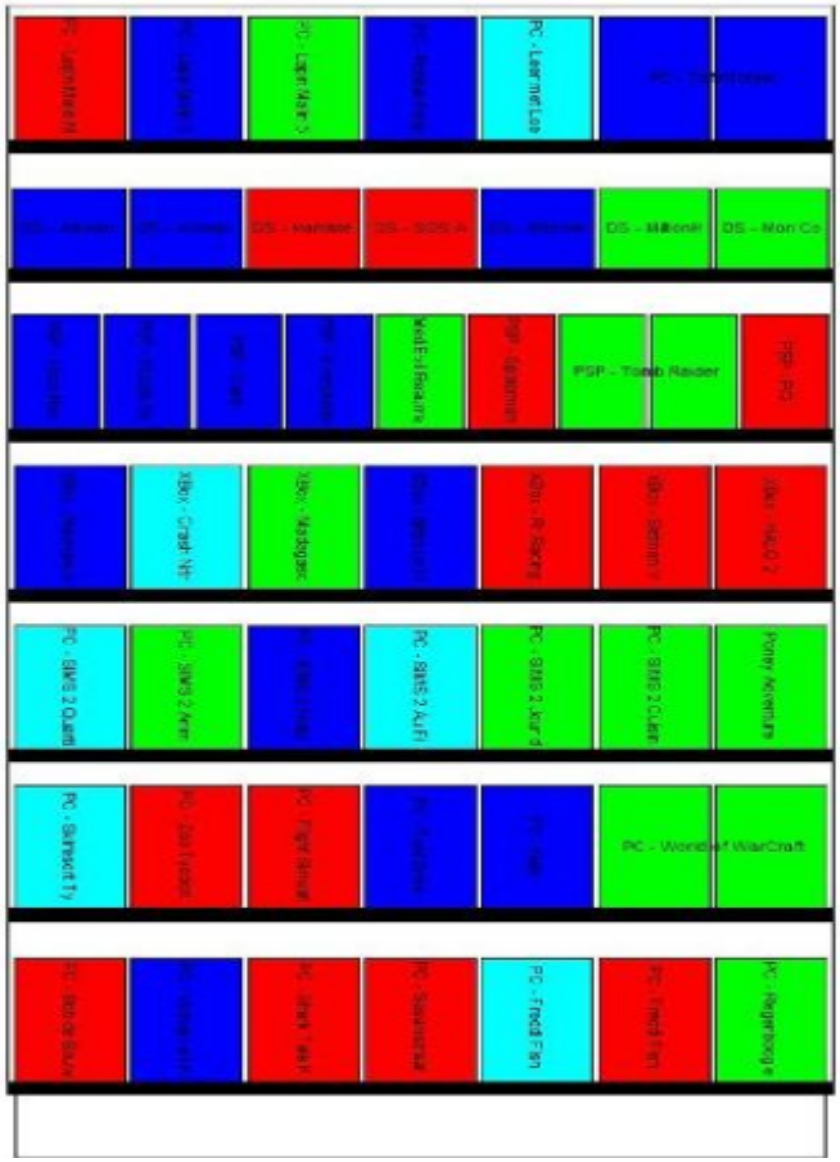
In the example on the left the top performing products that generate 20% of sales are displayed in green. The worst performing products, in this example also good for 20% of sales, are displayed in red.

In this analysis the user can select the variable (sales, profit, movement) as well as the percentages.

Optionally one can focus on the top or bottom performing products only.

Using this analysis you can check if the most valuable shelf space (= that at eye-level) has indeed been allocated to the most "important" products.

Quadrant Analysis



Quadrant Analysis

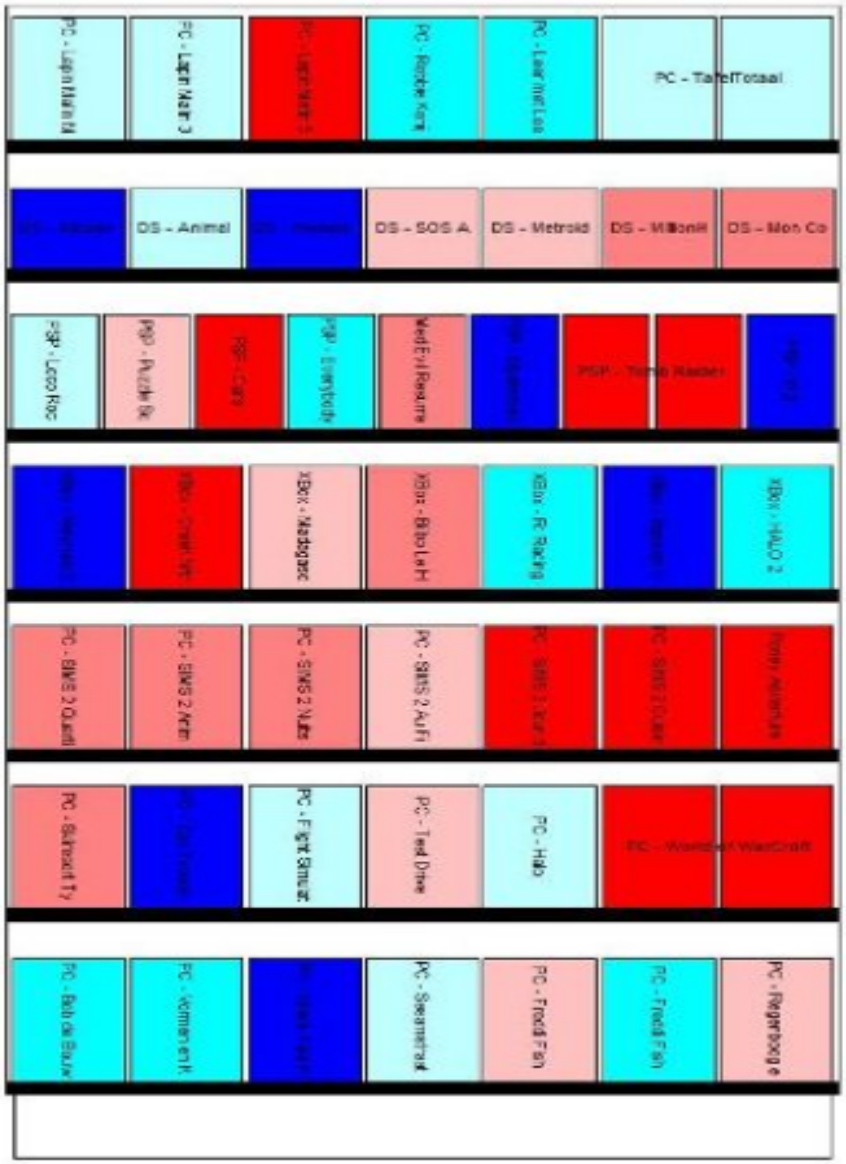
In this example the variables Margin and Movement are crossed and the performance of each product is compared with the average of the whole category. The resulting 4 quadrants tell you the following:

- **Green**: *Stars*, the best of the assortiment generating high volume with a high margin
- **Aqua**: *Traffic Builders*, products with a high volume, with a relatively low margin
- **Blue**: *Profit Generators*, products with a relatively low volume, but with a high margin
- **Rood**: *Dogs*, the problem-products with both low volume and low margin

The user can select from a series of variables and decide whether the comparison has to be made with the category-average, or with a constant.

The insights from this analysis can be used to select items to be delisted, drive margin negotiations and decide where to focus on volume promotions.

Hot/ Cold Analysis



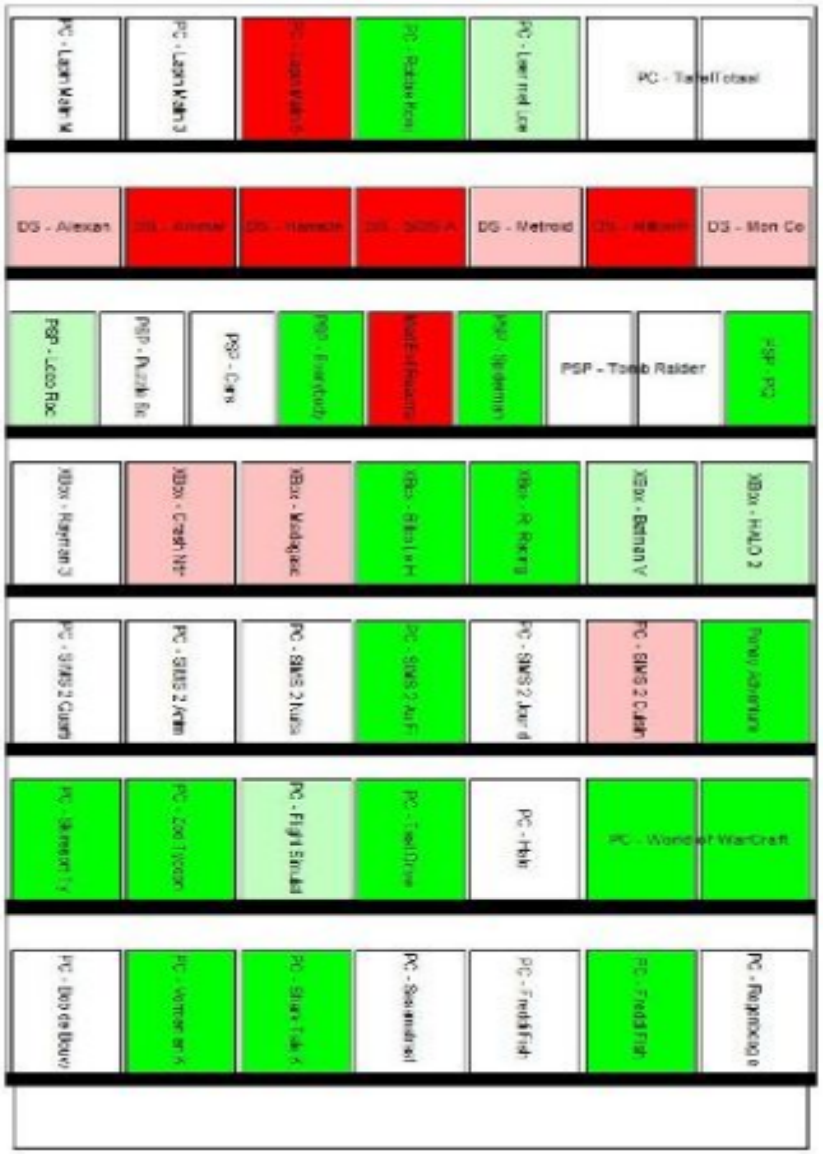
Hot/Cold Analysis

This analysis splits the products in 7 equal groups using a user defined variable. The "hottest", i.e. best performing, products are displayed in fire engine red. The worst-performing products are "ice-cold" dark blue.

The user can select to do this analysis on Sales, Profit or Movement.

Effectively a refined version of the Top/Bottom analysis, the user is provided with insights about all products in the category.

Inventory Analysis



Inventory Analysis

In this analysis the actual shelf stock is compared with the stock that is required to meet the targets that have been set. Various supply chain variables (supply, restocking, case size) and consumer demand are taken into consideration.

The user defines the acceptable margins, after which **Retail Shelf Planner** colors the products:

- **Dark Red**: seriously understocked
- **Bright Red**: lightly understocked
- **White**: sufficiently stocked
- **Bright Green**: lightly overstocked
- **Donker Green**: seriously overstocked

Using this analysis you can reduce Out-of-Stocks (= increased revenues) as well as reduce overstocks (= reduction of costs, less waste due to out-of-date and freeing up space for new products).

Process for Setting Planograms

- Plan continuous time is required to analysis new planogram;
- Gather cleaning supplies, additional shelving, peg hooks, signage, product, planograms and any other items needed to begin working. Take these items to the workspace.
- Each new planogram should begin with a good cleaning of the shelves and fixtures. Don't forget the base.
- Using the planogram, begin setting shelving and peg hooks in the required location. We read planograms from left to right. Shelves should be worked from bottom to top, left to right. Pegs should be worked from top to bottom, left to right.

Process for Setting Planograms

- If necessary, use the actual product to help determine the exact distance needed between each facing and/or each SKU.
- Once the planogram is set, fill each space with the correct product. Additional merchandise should be kept in the stock room as overstock.
- Create current shelf labels, signage and any other pricing needed for the newly set section.
- Zone the finished section by bringing all items forward with labels straight and facing the customer.

Pitfalls of planogram

- Troublesome to maintain a planogram without adequate software support; (price & availability?)
- Drawing up a very effective planogram requires adequate experience in the category
- Adequate guidelines should be put in place regarding “no stock” situations;
- Planogram compliance: Sometimes, drawing up a planogram is entirely a “back end” effort and there has been no “front-end” buy-in.

Space Productivity

- This is a measurement of how well the space is utilised.
- Space is allocated based on the merchandise's sale.
  - E.g. if 15% of sales are from water bottles, then the retailer should allocate 15% of space for water bottles.
- Two commonly used measurements:
  - **Sales per square foot**
  - Apparel retailers displaying their merchandise on free standing fixtures will usually use this measurement
  - **Sales per linear foot**
  - Retailers with mostly items displayed on shelves will use this measurement.
  - These shelves are similar in width and the only different is in the length.

Space Productivity

- Considerations other than sales.
  - Space allocation is to maximize the profit of the store, not just the particular product
  - Products that are usually bought by platinum customers must be allocated enough space to continue to attract these customers
  - Product that have low productivity but attract customers should also be allocated sufficient space to attract customers.
    - A good example is milk. Supermarkets have wide range of milk to attract customers to their store and this positively affected the sales of this category.

Suggested Solution

- Shirley should use a Planogram to maximize her shelf space and sales.
  - Allows her to plan what and how much to stock based on Financial and Space Analysis report
  - Image and Analysis POG will help her to determine which products and where to stock them

- For the garments, she could use Presentation techniques like:
  - Style/Item Presentation
    - Same type of merchandise are placed together for ease of locating by customers.
  - Idea Oriented Presentation
    - Put related products in a showcase to give customers idea which product to go with which product.

Suggested Solution

Product	November Sales	Shelf space	Sales per linear foot	% Sales	% Space	Difference
Popsicle Jello Pudding Pops	$198	1.2	$165	1%	2%	-1%
Breyers Vanilla Fudge Twirl	$77	1.17	$66	0%	2%	-2%
Popsicle Rainbow Ice Pops	$984	2.33	$422	3%	4%	-1%
Popsicle Cyclone Ice Pops	$505	1.75	$289	1%	3%	-2%
Klondike Vanilla Cones	$413	1.17	$353	1%	2%	-1%
Good Humor Strawberry Shortcake	$164	1.17	$140	0%	2%	-2%
Good Humor Toasted Almond	$160	2.33	$69	0%	4%	-3%
Good Humor Chocolate Éclair	$444	2.67	$166	1%	4%	-3%
Popsicle Lick a Color Ice Pops	$326	2.67	$122	1%	4%	-4%
Klondike Big Bear Vanilla Sandwich	$872	2.33	$374	2%	4%	-2%
Klondike Big Bear Cookie Sandwich	$129	1.17	$110	0%	2%	-2%
Klondike Variety Pack Cones	$314	1.17	$268	1%	2%	-1%
Popsicle Sugar Free Orange Cherry Grape Ice Pops	$461	1.17	$394	1%	2%	-1%
Breyers Chocolate Chip Cookie	$640	1.33	$481	2%	2%	-1%
Breyers Coffee	$427	5.33	$80	1%	9%	-8%
Breyers Butter Pecan	$1,009	5.33	$189	3%	9%	-6%
Breyers Caramel Fudge	$2,140	4.67	$458	5%	8%	-2%
Popsicle Fantastic Fruity Pops	$1,242	4.67	$266	3%	8%	-5%

Reduce the space for the above products that are not maximizing the space that they are taking up

Suggested Solution

- She may also relook in the space allocation of each product and give more space to those that are generating higher sales percentage

Product	November Sales	Shelf space	Sales per linear foot	% Sales	% Space	Difference
Breyers Vanilla	$3,862	1.33	$2,904	10%	2%	8%
Breyers Mint Chip	$3,606	1.33	$2,711	9%	2%	7%
Popsicle Orange Cherry Grape Ice Pops	$4,315	1.33	$3,244	11%	2%	9%

- Virtual display could be another area that she could look into, as it allows her to capture more information about the customers and save space on inventory