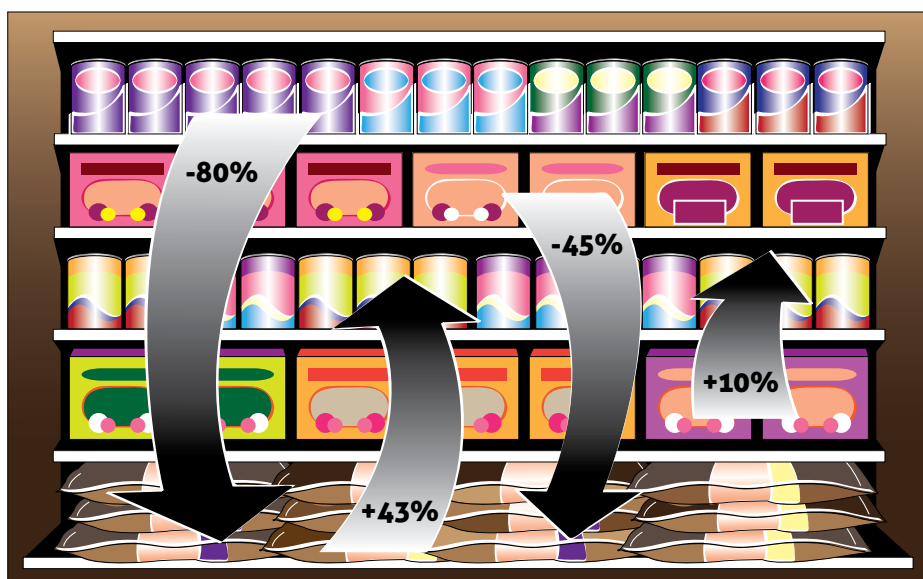


# Optimising shelf layouts – a mammoth task



Shelf layout can become a battleground between retailers and suppliers because the movement of merchandise from one height shelf to another results in dramatic changes to the rate of sale.

## BY JANET KIRKBRIDE

The allocation of shelf space causes much debate between retailers and suppliers with the two parties invariably striving to satisfy competing agendas. For retailers, shelf merchandising is primarily about efficient stock management and minimised forward out-of-stock (OOS) levels, while for suppliers the core focus is on securing competitive visibility and availability of their brands.

### The great debate

Suppliers commonly argue for forward share to be assigned in line with their market share, however, while market share as an indicator of relative rates of sale is a reasonable starting point for the allocation of facings, there are numerous operational considerations which render such a mechanism too simplistic and insufficient to deliver an optimised layout from a retailers' perspective.

There are various factors that directly impact stock holding efficiencies, and as such indirectly influence the productive assignment of shelf space, including:

- Delivery frequency
- Merchandising resources
- Minimum order quantities
- Pack configurations
- Trade incentives

### Shelf merchandising for marketing

Over and above the basics of stock and space efficiency, more advanced retailers are beginning to employ shelf merchandising as a 'marketing' device to build competitive advantage and proactively stimulate increased basket spend and/or profitability, which may lead to shelf layouts that don't necessarily favour leading brands.

In the face of ever shrinking trading space coupled with an expansion in retail offerings, allocations of space to major brands is often diminished in order to create room for and visibility of smaller, more niche lines that enable the retailer to offer a competitive or differentiated range.

In addition to this – dominant SKUs may not always secure the most prominent position on shelf with premium space being assigned to more strategically important lines that either deliver increased turnover or margin for the store, attract the attention of and create excitement for

shoppers, or simply facilitate the shopping experience by making smaller, speciality lines easier to find. It is in these situations that tensions rise in the debate with suppliers!



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### Working together

It is essential in such altercations for both parties to present clear objectives and a solid rationale behind the proposals tabled and the decisions made. Ultimately, longer term commercial benefit to the retailer should be the underlying determinant of the best way forward. Such benefit will be derived through a combination of rigorous understanding of category dynamics and specific shopper opportunities typically provided by suppliers, and detailed knowledge of the commercial contribution of the category and participant SKUs to the store, which only the retailer has access to.

So, in essence neither party is sufficiently equipped to deliver an optimal solution independently, with the best results coming from 'real' joint working involving open sharing of information and a sincere commitment to delivery of mutual gain.



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