

Planograms

– do they make good business cents?

By JOCELYN DALY

The challenge for me in this discussion is that I do not have the answer! And this is because I am not entirely convinced that they grow sales or profitability for that matter, at store level.

What is a planogram?

Essentially it is a diagram that indicates which products go on which shelves – and how many facings of each product go on the each shelf. The diagram will indicate which variant of a product to stock, and which supplier's products should be on the shelves. Planograms are vastly different to store layout – which is also a diagram. To some extent these are being confused out there in the market place.

Planogram versus store layout

A store layout gives you the broader picture: Where to position your pay point, where the fridges should go, where chips, sweets and snacks should be displayed in your store etc. As such, I see store layouts as infinitely more helpful to me as a retailer when opening a new store or revamping a store. And even as you trade – you can review your store layout to better meet the traffic flow in your store. So a store layout can very useful to me as a retailer.

The planogram indicates actual line item, the colour, size etc – and on which shelf it should be merchandised.

At store level

So why am I not entirely convinced that planograms can work and drive increased sales at store level?

Well firstly, it all depends on where the information is being pulled from. If it is from my store only – then I would concede that

there might be merit in using a planogram. However, because the costs of producing these programs is prohibitively expensive, franchisors tend to collect sales data from their entire network to drive consistent planograms throughout their network.

Some are fortunate to be able to do regional planograms based on average sales for the region. But even at this level of customisation, I am not convinced it helps me at store level.

For one thing, the information is historical. So it is based on past sales; either a week ago, last month or even worse, the last six months. And those of us that work on the ground know intuitively that our customers' tastes continuously to change.

Implementation

I remember a few years back when a large supermarket chain in our country introduced planograms into their store network. Based on historical sales – planograms were sent out and store staff ordered according to these plans. However, in that particular year in the Western Cape we did not have a winter season. So soups and bread were not the priority purchases that had been incorporated into the planograms.

Instead customers were looking for a continued supply of fruit and salads! The one positive thing that worked in this company's favour was that they owned the supply chain – it was not a franchised network. They supplied their stores out of their own distribution centres. But it did incur some revision of their strategy in this regard as the whole supply chain was treated as one business entity so their suppliers and orders had to be reviewed quite quickly.

So why is it difficult to implement store planograms on the ground if there is no central distribution centre?

There are a number of reasons why this is so.

- You don't stock an item because it does not sell in your store or region
- You do not have the required fixtures and fittings in your store to display the products as depicted in the diagram. This is particularly true when you use pegs and hanging displays
- You don't sell that variant – your customers, for example, prefer strawberry yoghurt to vanilla yoghurt
- You don't like where that product has been positioned on your shelves as your margin on that product is very low
- Your supplier is out of stock or is not available in your area

And by far the biggest challenge for me is that we are basing our future product layouts based on information that may or may not be correct or current. They may not be a true reflection on what our customers want.

Don't get me wrong about those networks that have central distribution points. They too have difficulty in implementing planograms in their networks too – but it is much easier for them than, say, a franchised network that does not have a DC.

Conclusion

My feeling is that to some extent implementing planograms across a network run by franchisees is hard work for all concerned – and in the end, very few stores are able to comply fully to these at store level. So my question is why bother in the first place? I just don't see the return in the bottom line – except of course perhaps for our suppliers?

Jocelyn has been involved in Energy and Retail, primarily the Fast Moving Consumer Goods sector of these industries, for the last 20 years. The bulk of this time has been spent in specialising in operations and supply chain, focusing on maximising the return on investment for both the operator as well as the supplier. Jocelyn's passion for this industry is well reflected on this sector on her website <http://www.cstores.co.za>. It offers a one-stop site for information, procedures or suppliers within the convenience store industry. Or email her at cstores@iafrica.com.