

CATEGORY MANAGEMENT LEARNING FORUM

TOPIC: SPACE MANAGEMENT

By Sue Nicholls, President,
Category Management
Knowledge Group
(www.cmkg.org)
(sue@cmkg.org)



There's a belief out there that a strong understanding of space management is only for "tekkies" who use sophisticated software and talk in a weird and intimidating language that relates to planograms and shelving. So leave anything to do with space planning and planograms to the "tekkies", right? Wrong! Remember, the final "say" as to what is sold is the shopper, shopping in the store, at the point of sale. So if you are responsible for making decisions or recommendations that affect the shelf, you should have a good understanding of how the shelf works, from a space management perspective. New product launches, product dimension changes, listings/delistings, promotion, and retailer strategies can all have an impact at the shelf. This pretty much covers everyone in cpg and retail.

Planograms (pogs) are the "pictures" that the "tekkies" in your space management (or sometimes category management) departments create. They can be as simple as a photo of a preset section, or more detailed with numbered peg holes and shelf notches showing exact placement of each item. In basic terms, they are a graphic image or diagram that includes fixtures and products that are specific to a category. Once a pog is populated with sales and movement data, it enables the user to calculate important information associated with movement on the shelf.

One of the biggest opportunities for retailers and suppliers is to **STOP** developing just a "pretty picture" of the shelf, and start maximizing the analytic capabilities in space management software programs. It starts by taking basic sales data for a retailer and plugging it into the pog. Then you can start tapping into an powerful tool that considers inventory management, shopper's needs, and gives the stores what they need to properly merchandise at store level – insights that relate to product supply, new product launches, shopper insights. Measures like days of supply, turns, profit per square foot, and GMROI (if you add in profit data) are available in the analytics – all incredibly important measures to retailers who are trying to reduce their cost of goods sold to drive margins up in the category.



Shopper Focus

- Increased shopper satisfaction through shopper-centric assortments
- Increased sales
- Improved margins

Optimization of Inventory

- Increased product availability / reduced out of stocks
- Reduced inventory value
- Reduced wastage

Improved In-Store Execution

- Improved planogram compliance
- Reduced operational costs

Including product performance data in pogs is one of many best practices you should consider when creating pogs. By moving to strategic shelving plans that use best practices, you will turn your shelving plans into analytic tools that increase shopper focus, optimize retailer inventory, and improve in-store execution (see the diagram to the left). Gone are the days of battling for facings and linear shelf space – those who win at the shelf are going to be able to talk about the impact that those shelving recommendations have on inventory, turns, shopper, and retail execution – all things that are incredibly important for the retailer to understand.

If you are involved in an upcoming space management project – whether you're on the new product launch team, in product supply, selling in a new product launch, or you're the category manager making the ultimate listing decisions – **KNOW THE SHELF!** Imagine the added benefit of understanding, and adding value to, those pretty pictures that are being presented. By moving to more advanced space planning initiatives, you will increased focus on the shopper – the one that the retailer is targeting to come in their stores. Inventory is optimized through reduced out of stocks, reduced inventory on the shelf and less waste. And in-store execution improves – more stores comply with the planograms because they actually work for the store.

So space management isn't just for tekkies. By better understanding the shelf fundamentals and best practices, more strategic choices can be made to increase retailer and shopper satisfaction.

If you liked this tip, you may enjoy our accredited eLearning courses for \$99 each on: "[Space Management](#)" or "[Leveraging Data for Advanced Shelving Solutions](#)". These two courses will give you a deeper understanding of space management best practices, terminology, calculations and strategy. They are not technical courses, but give you a great foundational understanding of space management. Target audience: Category Management Professionals, Sales, Marketing, Space Management Professionals.