

Who Moved My Ice Cream?

How to build a winning assortment



BY KRISTINE CARROL

Recently, I went to my local grocer looking to purchase ice cream. The entire section had been re-merchandised with the frozen food products in one aisle. Hemming and hawing, I had to walk around to search for my favourite dessert. Fortunately for the retailer and myself, I am a loyal consumer who dealt with this change, found my ice cream and proceeded to the check-out. But the real question is: Why did they move my ice cream?

Successful category management practices include consumer-based decisions. It has become increasingly important to understand the customer and the effects of their purchasing power within the marketplace. After consumer needs have been identified, a decision tree should be built, then assortment tactics can be defined and implemented. A simple model of this category management process includes: analyze the consumer; create a consumer-decision tree; build the assortment; build a planogram; implement; review.

“Build the assortment” is defined as optimizing a product mix for the greatest efficiency. This involves moving from the current product mix to a new assortment after gaining invaluable consumer insights from the previous steps. Inclusive in this process and equally important are market, retailer and manufacturer assessments to gain further insight. Next is the creation of a winning product assortment that will compute category sales, which products are related and which ones are over/underdeveloped.

Ensure Data Accuracy

Product data such as characteristics or financial values can come from one or more sources. Since data is the starting point of any analysis, it will only be accurate if the data is correct. Don't expect to calculate ROI if there is missing product costs, or lineal space will be wrong if the product width is not accurate.

Apply the Consumer Decision Tree

Not all parts of the consumer-decision tree will apply to your business. Remember to analyze the products by segments and then brands as defined by the consumers, purchasing decisions that are made in store.

Identify Listing and Distribution Opportunities

This can be accomplished with performance reports that list

key SKUs within the market but not within the account, or SKUs that have a low distribution. This analysis should distinguish the products as either category drivers or poor performers and quantify the dollar opportunity that exists if action was taken.

Carry Top Performing SKUs

Build an item rank report to identify products that represent the core of your sales or other strategic measures. Review the products that generate 80% of the sales and consider the value of those among the bottom 20%. Flag products that can be retained or delisted from the existing assortment and be careful of products that meet a niche need.

Allocate the Correct Space to Sales

A product's share of space should be approximately the same share of its sales. For example, if a segment generates 20% of the category sales, then it should be allocated 20% of shelf space. This merchandising rule will influence the assortment based on the available space.

Assess the Current Product Assortment

When possible, try to measure the level of growth of the proposed product mix against the existing assortment prior to implementation. Evaluate the potential success through “what if” scenarios using KPI's such as sales, profit or lift.

So, then, why did they move my ice cream? As it turns out, the retailer gained some insights, which resulted a single aisle change from its original location. Was this store-level implementation successful? While I had no problem eating my ice cream, the retailer's next steps include a review to determine the success of the new product assortment. **CG**

Kristine Carrol is the insights and merchandising manager at Toolbox Solutions Inc., which provides category management consulting services to retailers and suppliers.